



FINANCIAL STATEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

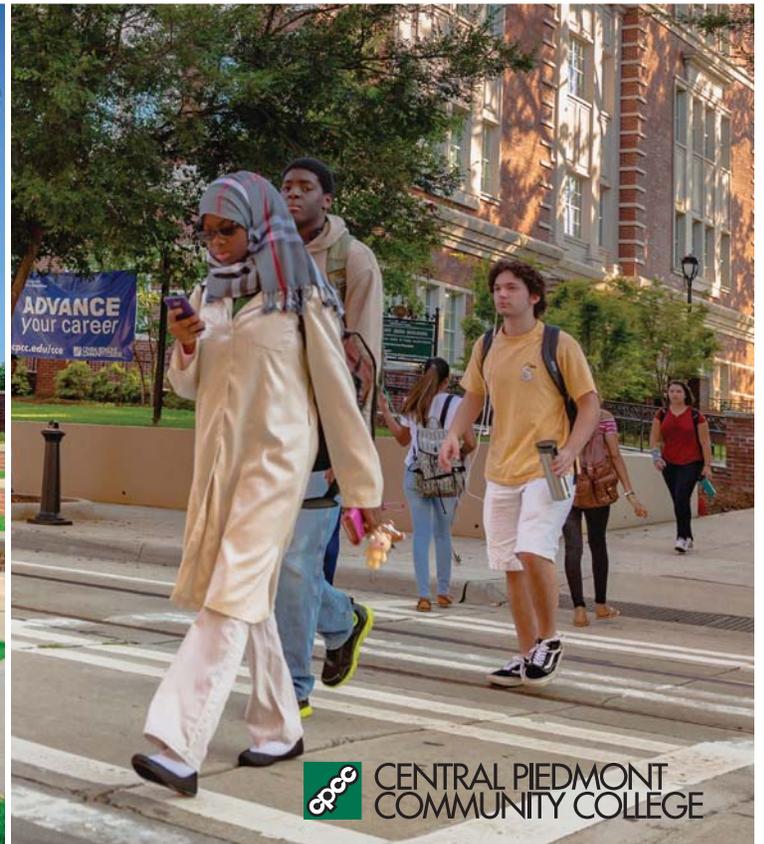


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Report of Independent Auditor

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

We have audited the accompanying financial statements of Central Piedmont Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Central Piedmont Community College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2017, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the discretely presented component unit of the College as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
September 21, 2017

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

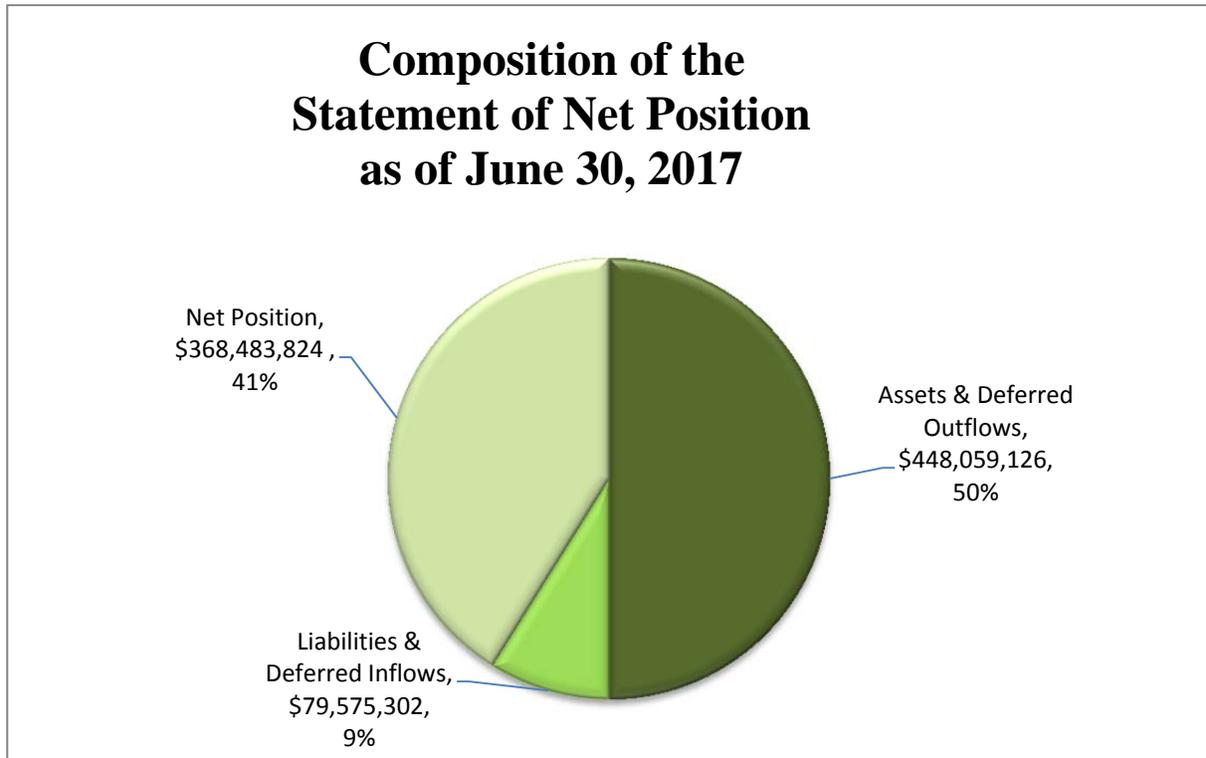
Introduction

The following discussion and analysis provides an overview of the financial position and activities of Central Piedmont Community College (the "College" or "CPCC") for the year ended June 30, 2017, with selected comparative information for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements which follow this section.

The College is a comprehensive public two-year college serving approximately 70,000 community residents annually and has approximately 2,400 full and part-time employees in nine locations including six campuses in the Charlotte-Mecklenburg region of North Carolina. The College offers a broad range of college transfer, associate, and technical degree programs. The College offers over 300 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, 2017. The composition of the College's Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position is presented below.



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

Financial Highlights (continued)

Changes in net position represent the operating and non-operating activity of the College and are summarized for the years ended June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
Operating revenues	\$ 42,775,608	\$ 42,633,285	\$ 142,323
Operating expenses	(186,230,830)	(183,609,141)	(2,621,689)
Net non-operating revenues	133,354,889	137,424,112	(4,069,223)
Capital aid revenues	31,650,858	16,834,611	14,816,247
Increase in net assets	<u>\$ 21,550,525</u>	<u>\$ 13,282,867</u>	<u>\$ 8,267,658</u>

Using the Financial Statements

The College's financial report includes three financial statements:

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

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

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets, deferred inflows and outflows, and liabilities of the College. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows, net position, is one indicator of the current financial position of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

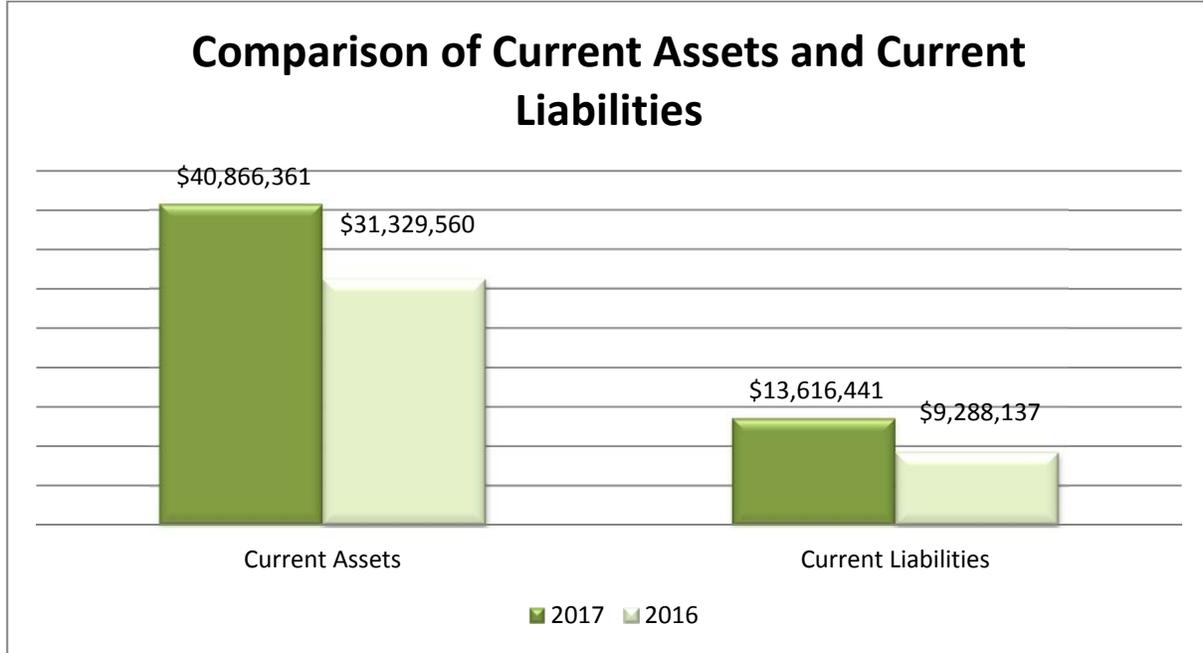
A summarized comparison of the College's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 40,866,361	\$ 31,329,560
Capital Assets	370,979,697	352,633,880
Non-capital Assets	231,112	691,730
Deferred Outflows	35,981,956	11,951,740
Current Liabilities	13,616,441	9,288,137
Noncurrent Liabilities	63,750,685	36,410,905
Deferred Inflows	2,208,176	3,974,569
Net Position	368,483,824	346,933,299

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

Statement of Net Position (continued)

The College's current assets increased \$9,536,801 while current liabilities increased \$4,328,304. The increase in current assets and current liabilities is primarily attributable to construction reimbursements receivable and construction payables.



Net Position

Net position represents the residual interest in the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College's net position at June 30, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
Net investment in capital assets	\$ 357,152,445	\$ 342,253,358
Restricted expendable	6,078,103	1,084,194
Unrestricted	5,253,276	3,595,747

Net investment in capital assets represents the College's capital assets of \$370,979,697 less related debt of \$16,737,423, plus deferred outflows of \$2,910,171. Net investment in capital assets increased \$14,899,087, or 4.35% due to an increase in construction activity, purchases of additional machinery and equipment, and updates to general infrastructure. The County bond funds are being used to fund several large capital projects at the College.

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

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
Operating Revenues:			
Student tuition and fees, net	\$ 30,132,383	\$ 31,104,118	\$ (971,735)
Sales and services, and other	12,643,225	11,529,167	1,114,058
Total operating revenues	<u>42,775,608</u>	<u>42,633,285</u>	142,323
Operating expenses	<u>186,230,830</u>	<u>183,609,141</u>	<u>2,621,689</u>
Operating loss	<u>(143,455,222)</u>	<u>(140,975,856)</u>	<u>(2,479,366)</u>
Non-operating and other revenues (expenses)			
State aid	60,667,281	58,278,074	2,389,207
County appropriations	34,529,949	35,429,083	(899,134)
Non-capital grants and gifts	38,830,889	43,577,245	(4,746,356)
Capital contributions	31,650,858	16,834,611	14,816,247
Interest on capital asset related debt	(693,990)	(736,564)	42,574
Net interest income	236,931	183,054	53,877
Other non-operating (expense) revenue	<u>(216,171)</u>	<u>693,220</u>	<u>(909,391)</u>
Net non-operating revenues	<u>165,005,747</u>	<u>154,258,723</u>	<u>10,747,024</u>
Increase in net assets	21,550,525	13,282,867	8,267,658
Net position, beginning of year	<u>346,933,299</u>	<u>333,650,432</u>	<u>13,282,867</u>
Net position, end of year	<u>\$ 368,483,824</u>	<u>\$ 346,933,299</u>	<u>\$ 21,550,525</u>

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

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

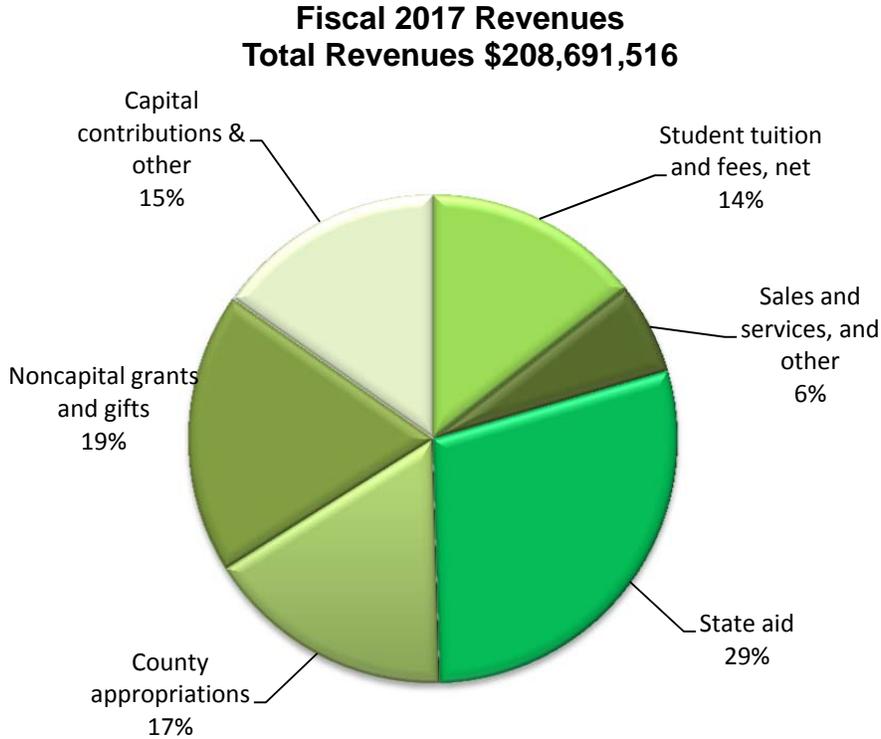
The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits, energy, and technology costs.

Tuition and fees and State appropriations are the primary sources of funding for the College's academic programs. County funding is vital and allows the College to continue with its long-term capital plan and significant construction projects.

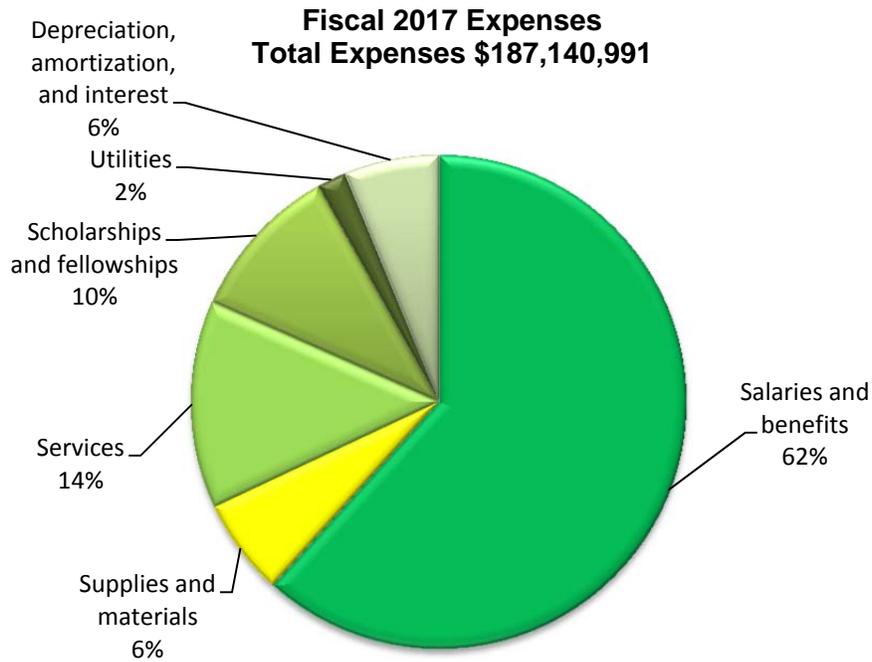
**CENTRAL PIEDMONT COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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



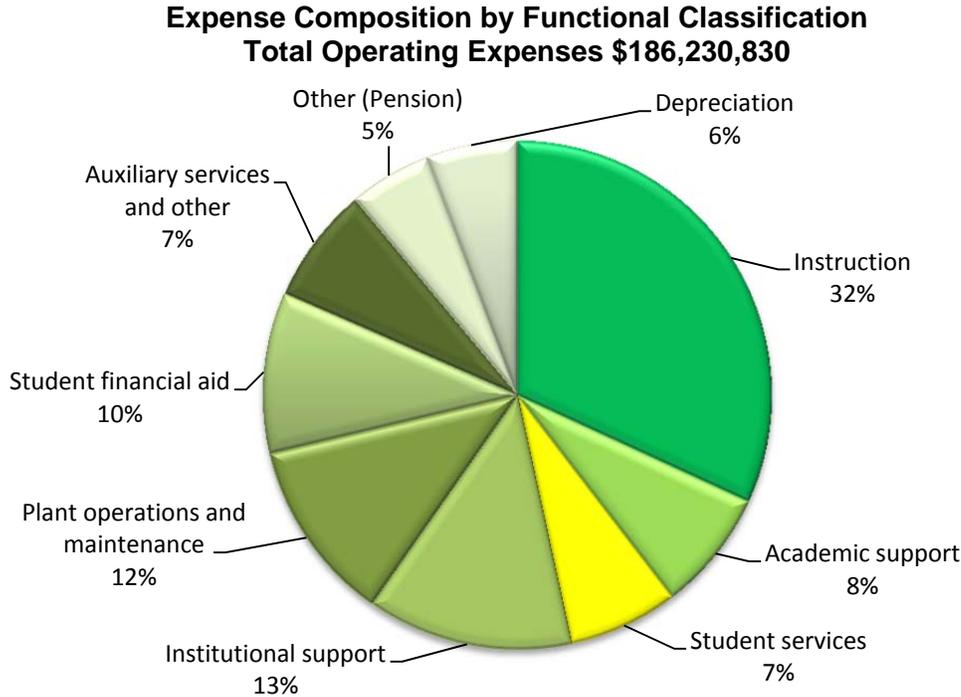
The composition of the College's expenses by natural classification is as follows:



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

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

In addition to natural (object) classification, it is also informative to review operating expenses by function. The composition of the College's expenses by functional classification, excluding interest expenses, for the year ended June 30, 2017, is as follows:



Capital Activities

The College was able to maintain its capital activity during fiscal 2017 due to funding from the County and continued new construction and building improvements in accordance with its Strategic Plan. Using proceeds from County-sponsored bond issuances and other funding sources, the College expended \$18,819,939 on capital asset projects in 2017 as compared to \$17,838,320 in 2016. Capital asset projects primarily are comprised of replacement and renovation of existing buildings and new construction of academic facilities. Current construction in progress totals \$23,071,756 at June 30, 2017.

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors that will Affect the Future

Management believes the College is well-positioned to maintain its strong financial condition and level of excellent service 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. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the College.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Mecklenburg County officials passed a \$210 million bond referendum on November 5, 2013. The County authorized an additional \$70 million in capital funding for potential total capital funding of \$280 million that was available as of July 2014. In March 2016, North Carolina voters approved the passage of the ConnectNC Bond Package. CPCC's portion of the bond proceeds is approximately \$9.6 million and became available in September 2016.

On June 20, 2017, Mecklenburg County officials passed a \$1.5 billion Capital Improvement Plan. Within the plan, the College will receive \$151.1 million for a new 68,000 square-foot classroom building on the Harris Campus, as well as a new learning Resource Center on Central Campus to support more than 3,500 students and middle-skill occupational programs. The projects will be funded by the County's PayGo Fund. Capital funding will continue to be a source of support for the College's long-range capital plan that includes land acquisitions, building renovations, and construction of new classroom buildings at all campus locations.

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

Central Piedmont Community College
Statement of Net Position
June 30, 2017

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 28,628,171
Restricted Cash and Cash Equivalents	2,449,199
Receivables, Net (Note 4)	9,030,866
Due from Community College Component Units	115,998
Inventories	300,352
Prepaid Items	341,775
	<hr/>
Total Current Assets	40,866,361

Noncurrent Assets:

Restricted Due from Primary Government	1,945
Prepaid and Other Assets	229,167
Capital Assets - Nondepreciable (Note 5)	53,110,176
Capital Assets - Depreciable, Net (Note 5)	317,869,521
	<hr/>
Total Noncurrent Assets	371,210,809

Total Assets	<hr/> <hr/> 412,077,170
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 12)	33,071,785
Deferred Outflows Related to Others (Note 7)	2,910,171
	<hr/>
Total Deferred Outflows of Resources	35,981,956

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	8,817,859
Unearned Revenue	1,945,585
Funds Held for Others	666,178
Long-Term Liabilities - Current Portion (Note 7)	2,186,819
	<hr/>
Total Current Liabilities	13,616,441

Noncurrent Liabilities:

Unearned Revenue	1,456,667
Long-Term Liabilities (Note 7)	62,294,018
	<hr/>
Total Noncurrent Liabilities	63,750,685
	<hr/>
Total Liabilities	77,367,126

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 12)	2,208,176
	<hr/>
Total Deferred Inflows of Resources	2,208,176

NET POSITION

Net Investment in Capital Assets	357,152,445
Restricted for:	
Expendable:	
Loans	201
Capital Projects	6,077,902
Unrestricted	5,253,276
	<hr/>
Total Net Position	<u>\$ 368,483,824</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 Position
For the Fiscal Year Ended June 30, 2017

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 30,132,383
Sales and Services, Net (Note 9)	12,477,527
Other Operating Revenues	<u>165,698</u>
Total Operating Revenues	<u>42,775,608</u>

EXPENSES

Operating Expenses:	
Salaries and Benefits	115,452,121
Supplies and Materials	11,835,954
Services	25,462,581
Scholarships and Fellowships	19,252,005
Utilities	3,475,293
Depreciation Amortization	<u>10,752,876</u>
Total Operating Expenses	<u>186,230,830</u>
Operating Loss	<u>(143,455,222)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	60,667,281
County Appropriations	34,529,949
Noncapital Grants - Student Financial Aid	30,447,701
Noncapital Grants	6,327,463
Noncapital Gifts	2,055,725
Investment Income	236,931
Interest and Fees on Debt	(693,990)
Net Other Nonoperating Expenses	<u>(216,171)</u>
Net Nonoperating Revenues	<u>133,354,889</u>
Loss Before Other Revenues	(10,100,333)
State Capital Aid	4,416,945
County Capital Aid	19,689,473
Capital Gifts	<u>7,544,440</u>
Increase in Net Position	21,550,525

NET POSITION

Net Position, July 1, 2016	<u>346,933,299</u>
Net Position, June 30, 2017	<u>\$ 368,483,824</u>

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, 2017

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 41,407,441
Payments to Employees and Fringe Benefits	(113,087,201)
Payments to Vendors and Suppliers	(40,638,747)
Payments for Scholarships and Fellowships	(19,252,005)
Other Payments	(3,520,930)
	<u>(135,091,442)</u>
Net Cash Used by Operating Activities	<u>(135,091,442)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	60,667,281
County Appropriations	34,529,949
Noncapital Grants - Student Financial Aid	30,447,701
Noncapital Grants	6,327,463
Noncapital Gifts	2,076,201
	<u>134,048,595</u>
Net Cash Provided by Noncapital Financing Activities	<u>134,048,595</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	4,416,945
County Capital Aid	19,689,473
Capital Gifts	1,020,640
Acquisition and Construction of Capital Assets	(18,819,939)
Principal Paid on Capital Debt and Leases	(1,316,090)
Interest Paid on Capital Debt and Leases	(693,990)
	<u>4,297,039</u>
Net Cash Provided by Capital and Related Financing Activities	<u>4,297,039</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	259
Investment Income	236,931
	<u>237,190</u>
Net Cash Provided by Investing Activities	<u>237,190</u>

Net Increase in Cash and Cash Equivalents	3,491,382
Cash and Cash Equivalents, July 1, 2016	27,585,988
	<u>31,077,370</u>
Cash and Cash Equivalents, June 30, 2017	<u>\$ 31,077,370</u>

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, 2017

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (143,455,222)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	10,752,876
Nonoperating Other Income (Expenses)	280,677
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(5,434,770)
Inventories	(93,344)
Prepaid Items	433,595
Deferred Outflows for Pensions	(24,541,233)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(147,428)
Unearned Revenue	104,383
Net Pension Liability	28,822,504
Funds Held for Others	160,613
Deferred Inflows for Pensions	(1,766,393)
Compensated Absences	(207,700)
	<u>(207,700)</u>
Net Cash Used by Operating Activities	<u>\$ (135,091,442)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 28,628,171
Restricted Cash and Cash Equivalents	2,449,199
	<u>2,449,199</u>
Total Cash and Cash Equivalents - June 30, 2017	<u>\$ 31,077,370</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 5,322,196
Assets Acquired through a Gift	6,523,800
Loss on Disposal of Capital Assets	(496,848)

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, 2017

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 1,558,722
Pledges Receivable, Net (Note 4)	1,219,699
Other Current Assets	28,757
Total Current Assets	<u>2,807,178</u>
Investments (Note 2)	31,521,633
Pledges Receivable, Noncurrent, Net (Note 4)	6,837,870
Cash Surrender Value of Life Insurance	34,916
Real Estate Held Under Operating Leases	4,452,342
Total Assets	<u>\$ 45,653,939</u>

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 204,424
Unearned Revenue	250,000
Deferred Compensation Payable	113,296
Obligations Under Annuity Agreements	21,900
Notes Payable	114,832
Total Current Liabilities	<u>704,452</u>
Unearned Revenue, Noncurrent	229,167
Obligations Under Annuity Agreements, Noncurrent	107,588
Notes Payable, Noncurrent	1,731,788
Total Liabilities	<u>2,772,995</u>

NET ASSETS

Unrestricted	3,948,992
Temporarily Restricted	11,859,497
Permanently Restricted	27,072,455
Total Net Assets	<u>42,880,944</u>
Total Liabilities and Net Assets	<u>\$ 45,653,939</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, 2017

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 259,331
Contributions Other Than Cash	1,258,098
Investment Return	521,797
Rental Income	206,394
Other Income	131,808
	<hr/>
Total Unrestricted Revenues and Gains	2,377,428
	<hr/>
Total Net Assets Released from Restrictions	4,608,375
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	6,985,803
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Expenses and Losses:	
Scholarships	1,139,751
Sponsored Programs	3,379,275
Management and General	1,401,913
Fund Raising	337,515
	<hr/>
Total Expenses	6,258,454
	<hr/>
Increase in Unrestricted Net Assets	727,349
	<hr/>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	3,203,536
Contributions Other Than Cash	483,008
Investment Return	3,494,395
Rental Income	46,772
Other Income	19,939
	<hr/>
Total Temporarily Restricted Revenues and Gains	7,247,650
	<hr/>
Temporarily Restricted Net Assets Released from Restrictions	(4,608,375)
	<hr/>
Increase in Temporarily Restricted Net Assets	2,639,275
	<hr/>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	567,282
	<hr/>
Total Permanently Restricted Revenues and Gains	567,282
	<hr/>
Permanently Restricted Net Assets Released from Restrictions	-
	<hr/>
Adjustment to Pledges Receivable Value	(2,857)
	<hr/>
Increase in Permanently Restricted Net Assets	564,425
	<hr/>
Increase in Net Assets	3,931,049
Net Assets at Beginning of Year	38,949,895
	<hr/>
Net Assets at End of Year	\$ 42,880,944
	<hr/> <hr/>

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (“GAAP”), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. 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 for which the College’s Board of Trustees is financially accountable. The College’s component unit is discretely presented in the College’s financial statements. The College’s discretely presented component unit’s financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

Blended Component Units - Based on the application of the criteria for determining component units, the following component units are included within the College’s reporting entity:

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

Condensed combining information regarding blended component units is provided in Note 17.

Discretely Presented Component Unit - Central Piedmont Community College Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt nonprofit 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 graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board ("FASB") Codification. 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, 2017. The audited financial statements for the Foundation can be obtained from Central Piedmont Community College Foundation, Inc., PO Box 35009, Charlotte, NC 28235-5009.

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

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

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

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, 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 ("STIF"). The STIF, 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. Restricted Cash and Cash Equivalents** - This classification includes undeposited receipts, cash on deposit with private bank accounts, savings accounts, and deposits restricted for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

- F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. 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 also include WTVI underwriting and production receivables. Noncurrent receivables include capital construction reimbursements receivable. Receivables are recorded net of estimated uncollectible amounts. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.
- G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10 - 100 years
Machinery and Equipment	2 - 30 years
General Infrastructure	10 - 75 years
Computer Software	2 - 30 years
Art, literature, and artifacts	2 - 25 years

- I. **Deferred Outflows/Inflows of Resources** - Certain deferred outflows consists of the loss related to the sale-leaseback transaction on a CPCC Parking Deck. The deferred outflow expense will be recognized in expense over the term of the lease. Deferred outflows and inflows of resources also relate to the pension plan as further described in Note 12.
- J. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

- K. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable, net pension liability, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources related to pensions.

- L. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out ("LIFO") method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next 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.

- M. Funds Held for Others** - Funds Held for Others consist primarily of balances that have not yet been disbursed to the respective third party.
- N. Net Position** - The College's net position is classified as follows:

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities and debt related to those capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity. The College had no Restricted Net Position – Nonexpendable as of June 30, 2017.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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

- O. **Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College, and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- P. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating, nonoperating, or capital contributions and gifts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as student tuition and fees and sales and services of auxiliary enterprises. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions 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 nonoperating revenues and expenses.

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as WTVI, Campus Printing, the Harris Conference Center, the Center for Applied Research, and the Academic and Performing Arts Center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- R. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations revert back to the County at year-end.

NOTE 2 - DEPOSITS AND INVESTMENTS

College - The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$17,675, and deposits in private financial institutions with a carrying value of \$8,798,100 and a bank balance of \$9,785,256.

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, 2017, 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 any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2017, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$22,261,595, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund ("STIF"). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2017. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Component Unit - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" ("UPMIFA") and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

The following is an analysis of investments, as of June 30, 2017, by type:

	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 2,339,759	\$ 2,339,759
Private investment funds	24,668,469	29,181,874
	<u>\$ 27,008,228</u>	<u>\$ 31,521,633</u>

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits.

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- | | |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. |
| Level 3 | Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment. |

Short-Term Investment Fund - At year-end, all of the College's investments valued at \$22,261,595 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. As discussed in Note 2, this amount is classified as cash and cash equivalents in the Statement of Net Position.

Component Units - The following table summarizes the valuation of the College's discreetly presented component unit's financial assets and liabilities measured at fair value as of June 30, 2017, based on the level of input utilized to measure fair value:

	Fair Value Measurements at June 30, 2017 Using:			
	Level 1	Level 2	Level 3	Total
<u>Measurement on a recurring basis:</u>				
Investments:				
Money market funds	\$ 2,339,759	\$ -	\$ -	\$ 2,339,759
Private investment funds:				
Global equity fund	-	-	23,778,006	23,778,006
Global bond fund	-	-	5,403,868	5,403,868
Total investments	<u>\$ 2,339,759</u>	<u>\$ -</u>	<u>\$ 29,181,874</u>	<u>\$ 31,521,633</u>
Obligations under annuity agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,488</u>	<u>\$ 129,488</u>

For investments in entities that calculate NAV or its equivalent whose fair value is not readily determinable, the following table provides information about the probability of investments being sold at amounts different from net asset value per share for the year ended June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global bond fund ^(a)	\$ 5,403,868	\$ -	monthly	10 days
Global equity fund ^(b)	<u>23,778,006</u>	1,680,000	quarterly	45 days
Total	<u>\$29,181,874</u>			

(a) This category operates with the investment objective of achieving favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities and the preservation and enhancement of principal. Partial redemptions are not permitted if the total remaining value would be less than \$1,000,000.

(b) This category is primarily in partnerships or funds managed by third-party investment firms pursuing a range of equity, credit, and other strategies in global markets. The Foundation may redeem up to 5% of their investment quarterly with a 45-day prior written notice. Excess withdrawals beyond 5% can be made by submitting a written notice and will be effective no later than the end of the calendar quarter that immediately follows the one-year anniversary of such notice.

NOTE 4 - RECEIVABLES

College - Receivables at June 30, 2017 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 2,949,625	\$ 732,704	\$ 2,216,921
Accounts	6,813,945	-	6,813,945
	<u>\$ 9,763,570</u>	<u>\$ 732,704</u>	<u>\$ 9,030,866</u>

Component Unit - The College's discretely presented component unit, the Foundation, had unconditional pledges receivable that are expected to be realized in the following periods as of June 30, 2017:

In one year or less	\$ 1,219,699
Between one and five years	5,847,635
Five to ten years	640,000
Ten years and thereafter	<u>1,151,441</u>
	8,858,775
Less:	
Allowance for uncollectible pledges	(96,312)
Discount to net present value	<u>(704,894)</u>
Pledges receivable, net	8,057,569
Less:	
Pledges receivable, current	<u>(1,219,699)</u>
Pledges receivable, noncurrent	<u>\$ 6,837,870</u>

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017, is presented as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 23,217,895	\$ 6,820,525	\$ -	\$ 30,038,420
Construction in Progress	4,489,252	18,614,904	32,400	23,071,756
Total Capital Assets, Nondepreciable	27,707,147	25,435,429	32,400	53,110,176
Capital Assets, Depreciable:				
Buildings	365,826,745	2,002,102	-	367,828,847
Machinery and Equipment	29,005,104	2,190,410	1,147,105	30,048,409
Art, Literature, and Artifacts	647,369	-	-	647,369
General Infrastructure	23,318,542	-	-	23,318,542
Total Capital Assets, Depreciable	418,797,760	4,192,512	1,147,105	421,843,167
Less Accumulated Depreciation/Amortization for:				
Buildings	77,566,455	7,923,301	-	85,489,756
Machinery and Equipment	10,792,209	2,158,908	650,257	12,300,860
Art, Literature, and Artifacts	101,201	16,503	-	117,704
General Infrastructure	5,411,162	654,164	-	6,065,326
Total Accumulated Depreciation	93,871,027	10,752,876	650,257	103,973,646
Total Capital Assets, Depreciable, Net	324,926,733	(6,560,364)	496,848	317,869,521
Capital Assets, Net	\$ 352,633,880	\$ 18,875,065	\$ 529,248	\$ 370,979,697

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017 were as follows:

	Balance
Accounts Payable	\$ 6,501,122
Accrued Payroll	1,792,225
Contract Retainage	524,512
	\$ 8,817,859

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2017 is presented as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Note Payable	\$ 8,533,402	\$ -	\$ 830,029	\$ 7,703,373	\$ 812,226
Capital Leases Payable	4,197,914	-	486,061	3,711,853	480,079
Net Pension Liability (Note 12)	17,900,112	28,822,504	-	46,722,616	-
Compensated Absences	6,550,695	4,222,019	4,429,719	6,342,995	894,514
	<u>\$ 37,182,123</u>	<u>\$ 33,044,523</u>	<u>\$ 5,745,809</u>	<u>\$ 64,480,837</u>	<u>\$ 2,186,819</u>

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2017	Principal Outstanding June 30, 2017
Guaranteed Energy Savings Contract #1	SunTrust Equipment Financing & Leasing Corp.	4.09%	9/1/2023	\$ 3,626,784	\$ 1,244,476	\$ 2,382,308
Guaranteed Energy Savings Contract #2	Bank of America Public Capital Corp.	2.64%	10/15/2028	6,457,918	1,176,853	5,281,065
1409 E. 5th Street Property	Individual	0.00%	10/1/2017	240,000	200,000	40,000
Total Notes Payable				<u>\$ 10,324,702</u>	<u>\$ 2,621,329</u>	<u>\$ 7,703,373</u>

The Energy Management Contract notes payable represent a financial arrangement with a financial institution to finance the construction of services, systems, and facilities designed to reduce energy consumption and costs in specific buildings owned and operated by the College.

The 1409 E. 5th Street Property note payable is owed to the seller of the property. The agreement does not specify an interest rate.

The annual requirements to pay principal and interest on notes payable at June 30, 2017 are as follows:

Fiscal Year	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2018	\$ 812,226	\$ 225,490	\$ 480,079	\$ 139,824
2019	784,727	200,240	473,301	121,720
2020	800,507	174,304	466,652	104,176
2021	831,632	147,420	423,207	86,309
2022	862,898	119,229	416,774	70,360
2023 - 2027	2,933,591	267,049	1,451,840	143,433
2028 - 2032	677,792	12,704	-	-
Total	<u>\$ 7,703,373</u>	<u>\$ 1,146,436</u>	<u>\$ 3,711,853</u>	<u>\$ 665,822</u>

C. Capital Lease Obligation - During fiscal 2013, at the request of Mecklenburg County (the "County"), CPCC transferred the deed to its parking deck at the corner of Charlottetown Avenue and East 4th Street to the County. CPCC continues to be obligated to repay the County for the County's bond proceeds used to fund the construction of the parking deck, however, in connection with the transfer of the deed, CPCC entered into a lease agreement with the County which calls for annual lease payments of \$1 and a bargain purchase option of \$1 at the end of the lease term in March, 2027. CPCC retains the rights to use and operate the deck and repays the County from parking fees earned. The College payments are due quarterly in arrears. The parking deck was constructed via County issued Variable Rate Certificates of Participation (2005 and 2007A Mecklenburg County) of which a portion was used to fund the parking deck construction.

The substance of the transaction created a capital lease obligation whereby the principal and interest payments on the existing obligation to the County are, in substance, considered to be the lease payments. At the transaction date, the College removed the net book value of the parking deck from capital assets and recorded a new capital asset based on the present value of future minimum lease payments. The difference between the net book value of the prior capital asset, the book value of the new capital asset, the carrying value of the note payable to the County, and the present value of the future capital lease payments has been recorded as a deferred outflow and will be amortized on the straight-line basis over the term of the lease agreement. As of June 30, 2017, the deferred outflow amount was \$ 2,910,171.

NOTE 8 - OPERATING LEASE OBLIGATIONS

A. Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 1,034,675
2019	1,023,633
2020	1,018,551
2021	1,033,094
2022	1,030,817
2023 - 2027	2,373,048
2028 - 2032	800,000
Total Minimum Lease Payments	<u>\$ 8,313,818</u>

Mecklenburg County leases the building and land used for WTVI operations to the College for \$1 per year. The lease expires in 2062. For financial reporting purposes, the rental expense of the facilities is recorded at its estimated fair value of \$543,840 for the fiscal year ended June 30, 2017 and is offset by an equal amount of support from the County. Leasehold improvements to the land and building are reflected in the Statement of Net Position. The estimated insured value of the operating facility (excluding contents), broadcast towers and land is approximately \$6,000,000.

Rental expense for all operating leases during the year was \$1,128,690, which does not include the estimated fair value of the in-kind contribution from Mecklenburg County discussed above.

NOTE 9 - REVENUES

A summary of eliminations and allowances by revenue classification for the year ended June 30, 2017 is presented as follows:

	<u>Gross Revenues</u>	<u>Less Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Bad Debt Expense</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	\$ 45,661,181	\$ -	\$ 15,528,798	\$ -	\$ 30,132,383
Sales and Services:					
Sales and Services of Auxiliary Enterprises					
Student Union Services	1,646,668	-	-	-	1,646,668
Parking and Security Fee	3,215,807	-	-	-	3,215,807
Bookstore and Vending Commissions	1,560,336	-	-	-	1,560,336
WTVI	2,748,864	409,588	-	-	2,339,276
Harris Conference Center	1,207,926	57,119	-	-	1,150,807
Theatre and The Arts	980,625	14,390	-	-	966,235
Center for Applied Research	641,950	4,960	-	-	636,990
Other Campus Service Centers	1,384,085	585,909	-	-	798,176
Other Sales and Services	163,232	-	-	-	163,232
Total Sales and Services	<u>\$ 13,549,493</u>	<u>\$ 1,071,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,477,527</u>

NOTE 10 - LEASE REVENUE

CPCC receives rental revenue as lessor of broadband capacity, tower space, and excess Instruction Television Fixed Service airtime. Revenue related to the lease of broadband capacity is included in Other Non-operating Revenues, Net of Expenses and revenue related to tower space and Instructional Television Fixed Service airtime is located in Sales and Services, Net.

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

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 560,958
2019	522,036
2020	412,329
2021	362,906
2022	336,305
2023 - 2027	1,182,925
2028 - 2032	923,338
2033 - 2037	923,338
Total Minimum Lease Revenue	<u>\$ 5,224,135</u>

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification, for the year ended June 30, 2017 are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 53,687,456	\$ 2,773,835	\$ 2,894,522	\$ -	\$ -	\$ -	\$ 59,355,813
Academic Support	12,355,555	1,223,936	751,509	4,500	-	-	14,335,500
Student Services	12,432,498	198,658	309,275	113,965	-	-	13,054,396
Institutional Support	19,363,283	1,079,952	3,945,006	64,481	-	-	24,452,722
Operations and Maintenance of Plant	2,436,258	4,178,469	11,532,844	-	3,475,293	-	21,622,864
Student Financial Aid	-	-	-	19,069,059	-	-	19,069,059
Auxiliary Enterprises	5,358,707	2,381,104	6,029,425	-	-	-	13,769,236
Pension Expense	9,818,364	-	-	-	-	-	9,818,364
Depreciation	-	-	-	-	-	10,752,876	10,752,876
Total Operating Expenses	<u>\$ 115,452,121</u>	<u>\$ 11,835,954</u>	<u>\$ 25,462,581</u>	<u>\$ 19,252,005</u>	<u>\$ 3,475,293</u>	<u>\$ 10,752,876</u>	<u>\$ 186,230,830</u>

NOTE 12 - PENSION PLANS

A. DEFINED BENEFIT PLAN

Plan Administration - The State of North Carolina administers the Teachers' and State Employees' Retirement System ("TSERS") plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers ("LEOs") of the State, general employees and LEOs of its component units, and employees of Local Education Agencies ("LEAs") and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided - TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions - Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2017 was 9.98% of covered payroll. Employee contributions to the pension plan were \$4,394,826, and the College's contributions were \$7,310,072 for the year ended June 30, 2017.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2016 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting - The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment - Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2016 *Comprehensive Annual Financial Report*.

Net Pension Liability - At June 30, 2017, the College reported a liability of \$46,722,616 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2016, the College's proportion was .50835%, which was an increase of .02262% from its proportion measured as of June 30, 2015.

Actuarial Assumptions - The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment (“COLA”) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plan at June 30, 2016 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
<u>1% Decrease (6.25%)</u>	<u>Current Discount</u>	<u>1% Increase (8.25%)</u>
\$ 87,876,213	\$ 46,722,616	\$ 12,118,083

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2017, the College recognized pension expense of \$9,818,364. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Employer Balances of Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions by Classification**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ -	\$ 2,208,176
Changes of Assumptions	6,890,450	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,662,783	-
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	2,208,480	-
Contributions Subsequent to the Measurement Date	<u>7,310,072</u>	<u>-</u>
Total	<u>\$ 33,071,785</u>	<u>\$ 2,208,176</u>

The amount of \$7,310,072 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Schedule of Net Amount of the Employer's Balances
of Deferred Outflows of Resources and Deferred Inflows
of Resources that will be Recognized in Pension Expense**

<u>Year Ended June 30:</u>	<u>Amount</u>
2018	\$ 4,418,365
2019	4,427,157
2020	9,496,450
2021	5,211,565
2022	<u>-</u>
Total	<u>\$ 23,553,537</u>

B. DEFERRED COMPENSATION AND SUPPLEMENTAL RETIREMENT INCOME PLANS

Internal Revenue Code ("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 \$241,054 for the year ended June 30, 2017.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$910,954 for the year ended June 30, 2017.

IRC Section 401(k) Plan with Roth Options - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$127,303 for the year ended June 30, 2017.

IRC Section 403(b) - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from Federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$414,112 for the year ended June 30, 2017.

NOTE 13 - 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 ("TSERS"). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS 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 established by the General Assembly.

For the current fiscal year the College contributed 5.81% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016 and 2015, were 5.60% and 5.49%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were \$4,254,302, \$4,000,595, and \$3,815,721, 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina ("DIPNC"), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS. 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, 2017, the College made a statutory contribution of .38% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016 and 2015, were .41% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were \$278,339, \$292,901, and \$284,963, 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 14 - 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.

A. Public Entity Risk Pool**Public School Insurance Fund**

Fire and other property losses are covered by the Public School Insurance Fund (the "Fund"), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a \$10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the \$10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis of \$516,497,031 and carries a deductible of \$25,000. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans**1. State Health Plan**

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (the "Plan"), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

2. Death Benefit Plan of North Carolina

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.

C. Other Risk Management and Insurance Activities**1. Automobile**

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

2. Public Officers' and Employees' Liability Insurance

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.

3. Employee Dishonesty and Computer Fraud

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 \$100,000 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.

4. Statewide Workers' Compensation Program

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.

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.

5. Other Insurance Held by the College

The College purchased professional liability insurance from a private insurance company to cover instructors and students in the Health Sciences and Dietary Manager programs with a liability limit of \$1,000,000 per claim and a \$5,000,000 aggregate. There is a deductible of \$1,000.

The College purchased Broadcaster's Liability coverage from a private insurance company to cover (PBS station WTVI that became a part of CPCC 07/03/2012) News Media and Multimedia, with a \$2,000,000 limit of liability and \$5,000 retention amount, Internet Liability Coverage, with a \$2,000,000 limit of liability and \$5,000 retention amount.

The College purchased Cyber Liability coverage from a private insurance company to cover Media Content Insurance with a \$5,000,000 sub-limit liability and a \$100,000 retention, Security and Privacy Liability Insurance with

a \$5,000,000 sub-limit liability and a \$100,000 retention, Regulatory Action with a \$5,000,000 sub-limit liability, Event Management Insurance with a \$2,000,000 sub-limit liability and a \$100,000 retention and Cyber Extortion Insurance with a \$5,000,000 sub-limit liability and a \$100,000 retention.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$58,900,055 at June 30, 2017.

NOTE 16 - 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 position, or operational transactions of the Foundation, except for support from the Foundation. Support received of \$3,742,684 for the year ended June 30, 2017 was included in Noncapital Gifts, Net and Capital Gifts, Net on the Statement of Revenues, Expenses, and Changes in Net Position. The College also leases the use of certain real estate owned by the Foundation. During the fiscal year ended June 30, 2017, the College made a total payment of \$253,167 to the Foundation. A pro rate share of this payment is in Services Expense on the Statement of Revenues, Expenses and Changes in Net Position and in Prepaid Items on the Statement of Net Position.

NOTE 17 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit, CPCC Services Corp, Inc., for the year ended June 30, 2017 is presented as follows:

Total Assets	\$ 5,472,934
Total Liabilities	<u>577,993</u>
Total Net Position	<u>\$ 4,894,941</u>

CPC Services Corp., Inc.
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Operating Revenues		
Sales and Services		\$ 2,885,040
Operating Expenses		
Salaries and Benefits		1,623,860
Contracted Services		529,941
Other Expenses		556,655
Total Operating Expenses		2,710,456
Non-Operating Revenues		
Interest Income		23,329
Rental Income		207,500
Total Non-Operating Revenues		230,829
Transfers to the College		(26,215)
Change in Net Position		379,198
Net Position, July 1, 2016		4,515,743
Net Position, June 30, 2017		\$ 4,894,941

CPC Services Corp., Inc.
Condensed Statement of Cash Flows
For the Year Ended June 30, 2017

Net Cash Provided by Operating Activities	\$ 307,958
Net Cash Used in Investing Activities	(29,418)
Cash and Cash Equivalents, July 1, 2016	3,146,087
Cash and Cash Equivalents, June 30, 2017	\$ 3,424,627

NOTE 18 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 21, 2017, which is the date the financial statements were available to be issued.

NOTE 19 - AUDIT HOURS AND COST

The audit required 230 audit hours at an approximate cost of \$45,500. The cost represents .01% of the College's total assets and .02% of the total expenses subject to audit.

**Central Piedmont Community College
 Required Supplementary Information
 Schedule of the Proportionate Net Pension Liability
 Teachers' and State Employees' Retirement System
 Last Four Fiscal Years**

Exhibit C-1

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.50835%	0.48573%	0.46411%	0.44450%
(2) Proportionate Share of TSERS Collective Net Pension Liability	\$ 46,722,616	\$ 17,900,112	\$ 5,441,323	\$ 26,985,679
(3) Covered Payroll	\$ 71,439,188	\$ 69,503,113	\$ 66,472,799	\$ 64,075,918
(4) Net Pension Liability as a Percentage of Covered Payroll	65.40%	25.75%	8.19%	42.12%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

Note: Data is presented for the years which information is available.

**Central Piedmont Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years**

Exhibit C-2

	2017	2016	2015	2014	2013
(1) Contractually Required Contribution	\$ 7,310,072	\$ 6,536,686	\$ 6,359,535	\$ 5,776,486	\$ 5,337,524
(2) Contributions in Relation to the Contractually Determined Contribution	7,310,072	6,536,686	6,359,535	5,776,486	5,337,524
(3) Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered Payroll	\$ 73,247,218	\$ 71,439,188	\$ 69,503,113	\$ 66,472,799	\$ 64,075,918
(5) Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	2012	2011	2010	2009	2008
(1) Contractually Required Contribution	\$ 4,555,018	\$ 2,987,589	\$ 2,108,402	\$ 1,987,397	\$ 1,661,675
(2) Contributions in Relation to the Contractually Determined Contribution	4,555,018	2,987,589	2,108,402	1,987,397	1,661,675
(3) Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered Payroll	\$ 61,223,362	\$ 60,600,173	\$ 59,058,885	\$ 59,148,721	\$ 54,481,155
(5) Contributions as a Percentage of Covered Payroll	7.44%	4.93%	3.57%	3.36%	3.05%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Central Piedmont Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010 and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Piedmont Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 21, 2017. The financial statements of Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this report and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Charlotte, North Carolina
September 21, 2017