

VALENCIA COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

	<u>County</u>
Lewis M. Oliver, III, Vice Chair to 7-14-08, Chair from 7-15-08	Orange
Raymer F. Maguire, III, Vice Chair from 7-15-08	Orange
Lawrence D. Slocum to 7-15-08, Chair to 7-14-08 (1)	Osceola
Ronald Blocker	Orange
Jerry D. Buchanan	Orange
Bertica Cabrera-Morris	Orange
Edward A. Moore	Osceola
Maria C. Grulich Toumazos	Osceola
Jo Quittschreiber from 7-16-08	Osceola

Dr. Sanford C. Shugart, President

Note: (1) Board member served beyond the end of his term,
May 31, 2008.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Sheila D. Rojas, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

VALENCIA COMMUNITY COLLEGE
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows.....	15
Notes to Financial Statements	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Internal Control Over Financial Reporting.....	34
Compliance and Other Matters	35

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Valencia Community College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Valencia Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 12 through 33. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valencia Community College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Valencia Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 22, 2010

MANAGEMENT’S DISCUSSION AND ANALYSIS

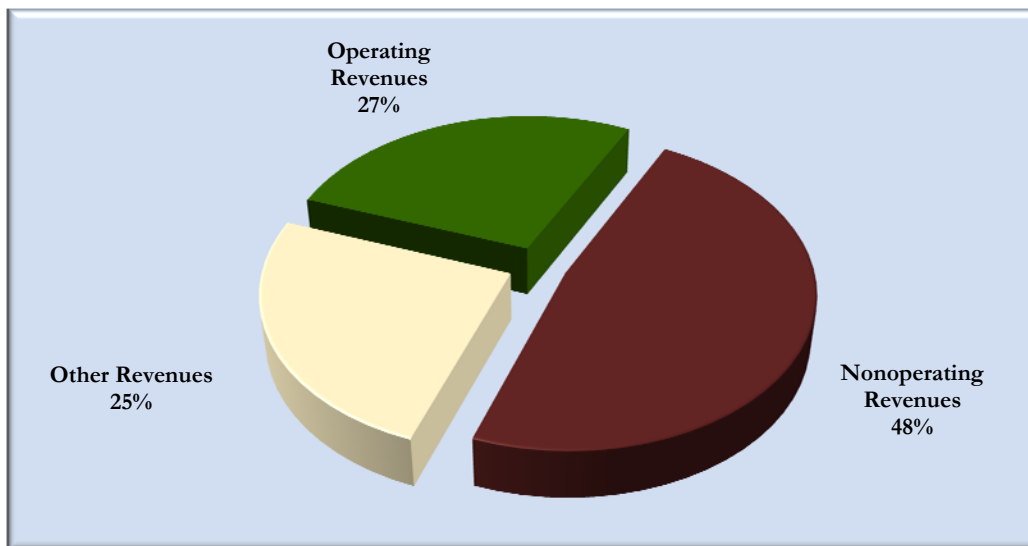
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activities of the College’s component unit, Valencia Community College Foundation, Inc., for the fiscal years ended March 31, 2008, and March 31, 2009.

FINANCIAL HIGHLIGHTS

The College’s assets totaled \$258.8 million at June 30, 2009. The majority of these assets are in physical plant. Total assets reflect a \$35.5 million, or 15.9 percent, increase from the 2007-08 fiscal year. While assets grew, liabilities, totaling \$21.9 million at June 30, 2009, decreased slightly by \$19 thousand, or 0.1 percent. As a result, the College’s net assets increased by \$35.5 million, reaching a year-end balance of \$236.9 million.

The College’s revenues totaled \$234.6 million for the 2008-09 fiscal year, representing a 16 percent increase over the 2007-08 fiscal year. Operating revenues primarily consist of student tuition, fees, and book sales. The following provides a graphical representation of revenues by category for the 2008-09 fiscal year.

Total Revenues: College



Operating expenses totaled \$199 million for the 2008-09 fiscal year, representing an increase of 12 percent over the 2007-08 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- Valencia Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Valencia Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year differs from the College and covers the period April through March.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College's finances is, "Is Valencia Community College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Valencia Community College's operating results.

These two statements report Valencia Community College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. To assess the College's overall financial health, you will need to consider many other nonfinancial factors, such as trends in student retention, condition of the buildings, and the safety of the campus.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College and its component unit for the respective periods ended is shown in the following table:

**Condensed Statement of Net Assets at
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Assets				
Current Assets	\$ 74,216	\$ 69,801	\$ 2,172	\$ 3,949
Capital Assets, Net	176,122	149,146	3,274	3,324
Other Noncurrent Assets	8,440	4,374	44,671	52,357
Total Assets	258,778	223,321	50,117	59,630
Liabilities				
Current Liabilities	12,749	12,958	705	648
Noncurrent Liabilities	9,140	8,950		
Total Liabilities	21,889	21,908	705	648
Net Assets				
Invested in Capital Assets, Net of Related Debt	172,527	145,256		
Restricted	49,012	42,036	47,966	56,128
Unrestricted	15,350	14,121	1,446	2,854
Total Net Assets	\$ 236,889	\$ 201,413	\$ 49,412	\$ 58,982
Increase (Decrease) in Net Assets	\$ 35,476	17.6%	\$ (9,570)	-16.2%

Noncapital assets increased by \$8.5 million due in part to a \$2.8 million increase in receivables comprised of \$1.5 million in the Public Education and Capital Outlay (PECO) receivable for capital project funds that were appropriated in the 2008-09 fiscal year, but will not be expended until future fiscal years, and a \$1.1 million increase in student receivables. In addition, the College increased its overall investments in the 2008-09 fiscal year by \$5 million, which were primarily invested in certificates of deposit.

Net capital assets increased by \$27 million due mainly to the capitalization of \$20 million in construction costs for the West Campus joint use facility (with the University of Central Florida) and \$4.7 million for the West Campus Allied Health and Science Building. The College's investment in capital assets, net of related debt, also increased as a result of the capitalization of these West Campus buildings because construction costs were funded through PECO and not proceeds from debt obligations.

Restricted net assets increased by \$7 million because the PECO revenue for major capital projects exceeded expenditures for the 2008-09 fiscal year.

Revenues and expenses of the College and its component unit for the respective periods ended are shown in the following table:

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Periods Ended
(In Thousands)**

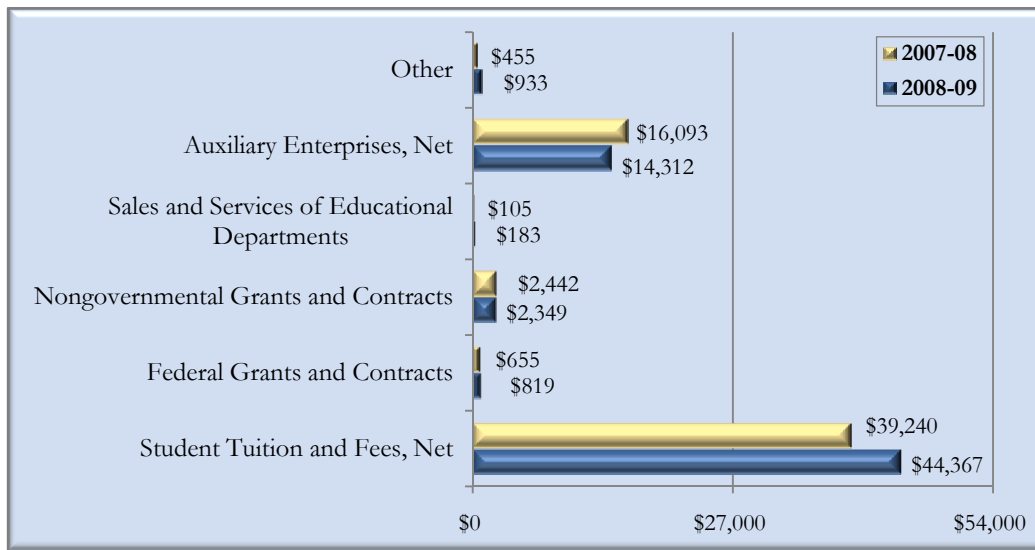
	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 44,367	\$ 39,240	\$	\$
Federal Grants and Contracts	819	655		
State and Local Grants and Contracts			233	1,294
Nongovernmental Grants and Contracts	2,349	2,442	3,103	1,919
Sales and Services of Educational Departments	183	105		
Auxiliary Enterprises, Net of Scholarship Allowances	14,312	16,093		
Other Operating Revenues	933	455	896	704
Total Operating Revenues	62,963	58,990	4,232	3,917
Less, Operating Expenses	198,956	177,729	4,328	4,294
Operating Loss	(135,993)	(118,739)	(96)	(377)
Nonoperating Revenues (Expenses)				
State Appropriations	62,468	68,042		
Gifts and Grants - Student Aid	46,423	33,764		
Gifts and Grants - Other	3,040	3,223		
Other Nonoperating Revenues	1,261	1,967		398
Nonoperating Expenses	(192)	(211)	(9,474)	(348)
Net Nonoperating Revenues (Expenses)	113,000	106,785	(9,474)	50
Loss Before Other Revenues, Expenses, Gains, or Losses	(22,993)	(11,954)	(9,570)	(327)
Capital Appropriations	41,811	31,706		
Capital Grants, Contracts, Gifts, and Fees	16,658	4,479		
Increase (Decrease) in Net Assets	35,476	24,231	(9,570)	(327)
Net Assets, Beginning of Year	201,413	177,182	58,982	59,309
Net Assets, End of Year	\$ 236,889	\$ 201,413	\$ 49,412	\$ 58,982

Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following chart presents the College's operating revenues for the 2008-09 and 2007-08 fiscal years:

**Operating Revenues: College
(In Thousands)**



Total operating revenues increased by \$4 million, or 6.7 percent, primarily due to an increase in student enrollment of approximately 11.4 percent in conjunction with a rise in fees of 5.4 percent.

Operating Expenses

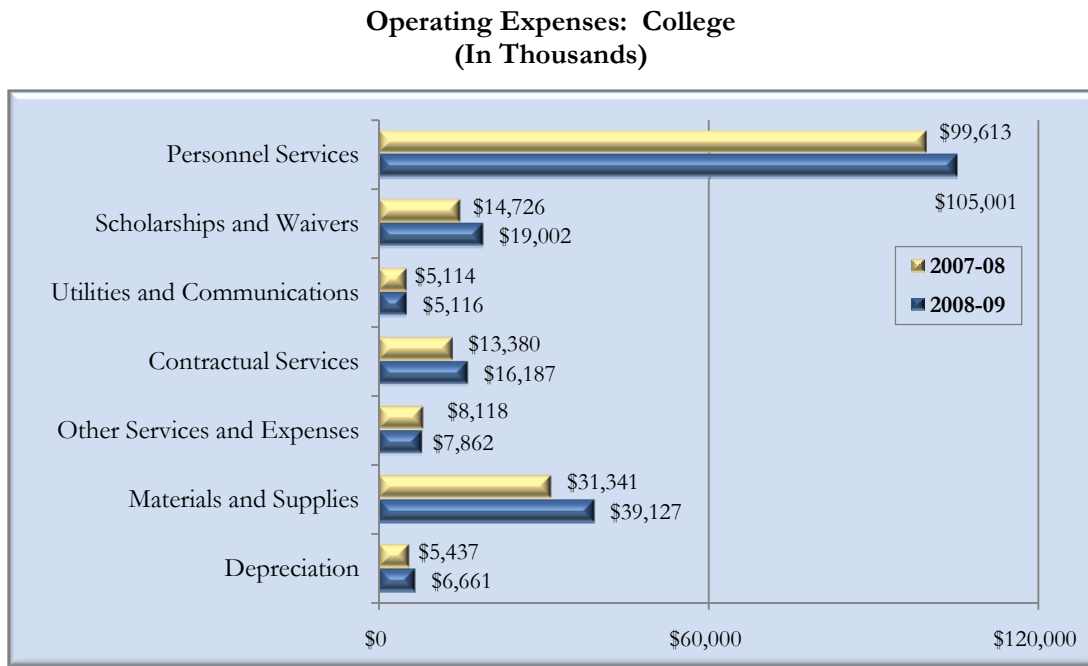
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
Operating Expenses				
Personnel Services	\$ 105,001	\$ 99,613	\$ 694	\$ 632
Scholarships and Waivers	19,002	14,726	3,232	3,056
Utilities and Communications	5,116	5,114	2	2
Contractual Services	16,187	13,380	55	213
Other Services and Expenses	7,862	8,118	256	311
Materials and Supplies	39,127	31,341	39	31
Depreciation	6,661	5,437	50	49
Total Operating Expenses	\$ 198,956	\$ 177,729	\$ 4,328	\$ 4,294

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:



Operating expenses for the College increased \$21.2 million, or 11.9 percent, compared to the prior fiscal year as a result of the following factors:

- Materials and supplies expenses increased as a result of the College incurring \$5.7 million of noncapitalized renovation costs for three buildings on the West Campus.
- Personnel services expenses increased \$5.4 million due to an average 1.9 percent annual salary increase for the faculty and staff. In addition to the salary increase, temporary instructional expenditures rose by \$2.3 million as a result of enrollment growth.
- Scholarship expenses increased by \$4.3 million primarily due to a 31.3 percent increase in the number of students receiving the Pell Grant award.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	2008-09	2007-08
State Appropriations	\$ 62,468	\$ 68,042
Gifts and Grants - Student Aid	46,423	33,764
Gifts and Grants - Other	3,040	3,223
Other Nonoperating Revenues	1,261	1,967
Nonoperating Expenses	(192)	(211)
Net Nonoperating Revenues	\$ 113,000	\$ 106,785

Net nonoperating revenues increased by \$6.2 million, or 5.8 percent, from a combination of an increase in student aid revenue of \$12.7 million due to enrollment growth and the number of eligible participants receiving financial aid, offset by a decrease in State appropriations of \$5.6 million.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)

	2008-09	2007-08
Capital Appropriations	\$ 41,811	\$ 31,706
Capital Grants, Contracts, Gifts, and Fees	16,658	4,479
Total	\$ 58,469	\$ 36,185

Other revenues increased by \$22.3 million, or 61.6 percent, because of additional PECO appropriations for new construction and an \$11.3 million gift from the University of Central Florida for the joint use facility.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$(128,663)	\$ (113,567)
Noncapital Financing Activities	111,945	104,972
Capital and Related Financing Activities	22,135	9,500
Investing Activities	(4,648)	8,665
Net Increase in Cash and Cash Equivalents	769	9,570
Cash and Cash Equivalents, Beginning of Year	41,135	31,565
Cash and Cash Equivalents, End of Year	\$ 41,904	\$ 41,135

The major sources of operating activities funds came from net student tuition and fees (\$43.8 million), and bookstore receipts (\$13.8 million). State appropriations (\$62.5 million) and grants and contracts (\$49.5 million) are the primary sources of funds for noncapital financing activities. Capital appropriations from the State's PECO program

(\$40.3 million) and the capital gift from the University of Central Florida for the joint use facility (\$11.3 million) account for most of the cash provided for capital and related financing activities.

The major uses of operating activities funds were for employee salaries (\$85.3 million), employee benefits (\$19.4 million), payments to suppliers (\$62.8 million), and scholarships (\$19 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$249.5 million in capital assets, less accumulated depreciation of \$73.4 million, for net capital assets of \$176.1 million. Depreciation charges for the current fiscal year totaled \$6.7 million. The following table summarizes the College's capital assets at June 30:

Capital Assets, Net at June 30: College (In Thousands)

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 18,598	\$ 18,569
Buildings	176,299	148,321
Other Structures and Improvements	13,542	6,246
Furniture, Machinery, and Equipment	14,733	13,874
Construction in Progress	26,363	29,309
Total	249,535	216,319
Less, Accumulated Depreciation:		
Buildings	54,009	49,285
Other Structures and Improvements	6,511	5,684
Furniture, Machinery, and Equipment	12,893	12,204
Total Accumulated Depreciation	73,413	67,173
Capital Assets, Net	\$ 176,122	\$ 149,146

The College has \$8 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the East Campus Chiller renovation project, West Campus Joint Use Facility with University of Central Florida, and West Campus Renovations - Buildings 1, 3, and 4. The major capital projects planned for the 2009-10 fiscal year are the renovation designs for West Campus Buildings 7 and 9. Capital appropriations are expected to finance the renovation of these facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$3.6 million in long-term debt outstanding versus \$3.9 million at the end of the prior fiscal year, a decrease of 7.6 percent.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales; however, debt repayments from previous bond issues totaled \$0.3 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Valencia Community College's economic position is closely tied to that of the State of Florida. The continued slowdown in the economy, particularly in the real estate and construction sectors, has affected the State's revenue collections. This has meant reductions in State appropriations, which have further been reduced during the year for the last two fiscal years. In addition, Valencia Community College has increased the tuition rate by 12 percent to take effect beginning with the Fall 2009 term. The College's current financial and capital plans are based on continued reductions in State funding, which are partially offset by a steady increase in enrollment and higher student tuition and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Services, Valencia Community College, Post Office Box 3028, Orlando, Florida 32802.

BASIC FINANCIAL STATEMENTS

VALENCIA COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2009

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 23,220,631	\$ 859,552
Restricted Cash and Cash Equivalents	10,243,498	
Other Short-Term Investments	5,000,000	
Accounts Receivable, Net	4,869,549	1,208,545
Due from Other Governmental Agencies	27,215,616	
Due from Component Unit/College	311,337	10,864
Inventories	2,571,288	
Prepaid Expenses	767,924	
Other Current Assets	15,704	93,320
Total Current Assets	74,215,547	2,172,281
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,439,917	
Restricted Investments		44,670,430
Depreciable Capital Assets, Net	131,160,973	485,700
Nondepreciable Capital Assets	44,961,260	2,788,244
Total Noncurrent Assets	184,562,150	47,944,374
TOTAL ASSETS	\$ 258,777,697	\$ 50,116,655
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,913,486	\$ 356,408
Salary and Payroll Taxes Payable	2,860,477	
Retainage Payable	2,188,676	
Due to Other Governmental Agencies	549,714	
Due to Component Unit/College	341,405	179,456
Deferred Revenue	94,811	168,880
Deposits Held for Others	210,133	
Long-Term Liabilities - Current Portion:		
Bonds Payable	305,000	
Special Termination Benefits Payable	22,985	
Compensated Absences Payable	1,261,886	
Total Current Liabilities	12,748,573	704,744
Noncurrent Liabilities:		
Bonds Payable	3,290,000	
Special Termination Benefits Payable	251,905	
Compensated Absences Payable	5,379,619	
Other Postemployment Benefits Payable	218,487	
Total Noncurrent Liabilities	9,140,011	
TOTAL LIABILITIES	21,888,584	704,744

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 172,527,233	\$
Restricted:		
Nonexpendable:		
Endowment		26,934,115
Expendable:		
Grants and Loans	15,761,767	21,032,009
Scholarships	807,861	
Capital Projects	32,359,696	
Debt Service	82,199	
Unrestricted	15,350,357	1,445,787
Total Net Assets	236,889,113	49,411,911
TOTAL LIABILITIES AND NET ASSETS	\$ 258,777,697	\$ 50,116,655

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

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$26,968,978	\$ 44,366,673	\$
Federal Grants and Contracts	819,360	
State and Local Grants and Contracts		233,050
Nongovernmental Grants and Contracts	2,348,804	3,103,456
Sales and Services of Educational Departments	182,773	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$5,585,622	14,312,290	
Other Operating Revenues	933,059	895,634
	Total Operating Revenues	4,232,140
EXPENSES		
Operating Expenses:		
Personnel Services	105,000,937	693,551
Scholarships and Waivers	19,001,829	3,232,359
Utilities and Communications	5,116,387	2,149
Contractual Services	16,186,866	54,880
Other Services and Expenses	7,862,059	255,800
Materials and Supplies	39,126,798	39,088
Depreciation	6,661,246	50,036
	Total Operating Expenses	4,327,863
	Operating Loss	(95,723)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	62,468,187	
Gifts and Grants - Student Aid	46,423,265	
Gifts and Grants - Other	3,040,341	
Investment Income	813,691	
Other Nonoperating Revenues	448,378	
Net Realized Loss on Investments	(1,149)	(9,177,041)
Interest on Capital Asset-Related Debt	(191,994)	
Other Nonoperating Expenses		(297,030)
	Net Nonoperating Revenues (Expenses)	(9,474,071)
	Loss Before Other Revenues, Expenses, Gains, or Losses	(9,569,794)
Capital Appropriations	41,811,060	
Capital Grants, Contracts, Gifts, and Fees	16,657,891	
	Total Other Revenues	
	Increase (Decrease) in Net Assets	(9,569,794)
Net Assets, Beginning of Year	201,412,606	58,981,705
	Net Assets, End of Year	\$ 49,411,911
	\$ 236,889,113	\$ 49,411,911

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

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 43,796,057
Grants and Contracts	2,925,476
Payments to Suppliers	(62,764,626)
Payments for Utilities and Communications	(5,235,762)
Payments to Employees	(85,309,744)
Payments for Employee Benefits	(19,373,530)
Payments for Scholarships	(19,001,829)
Auxiliary Enterprises, Net	13,801,715
Sales and Services of Educational Departments	182,773
Other Receipts	2,316,666
	(128,662,804)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	62,468,187
Gifts and Grants Received for Other Than Capital or Endowment Purposes	49,463,606
Other Nonoperating Receipts	12,893
	111,944,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	40,295,947
Capital Grants and Gifts	16,657,891
Proceeds from Sale of Capital Assets	448,378
Purchases of Capital Assets	(34,774,707)
Principal Paid on Capital Debt	(295,000)
Interest Paid on Capital Debt	(197,994)
	22,134,515
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	19,100,000
Investment Income	352,330
Purchase of Investments	(24,100,000)
	(4,647,670)
Net Increase in Cash and Cash Equivalents	768,727
Cash and Cash Equivalents, Beginning of Year	41,135,319
Cash and Cash Equivalents, End of Year	\$ 41,904,046

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (135,993,163)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,661,246
Changes in Assets and Liabilities:	
Receivables, Net	275,087
Due from Other Governmental Agencies	(1,140,151)
Inventories	(469,967)
Prepaid Expenses	607,253
Other Assets	(8,156)
Accounts Payable	1,077,311
Salaries and Payroll Taxes Payable	(261,267)
Deferred Revenue	(16,431)
Compensated Absences Payable	462,376
Special Termination Benefits Payable	28,956
Other Postemployment Benefits Payable	114,102
NET CASH USED BY OPERATING ACTIVITIES	\$ (128,662,804)

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

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Valencia Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Orange and Osceola Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Valencia Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2009.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowance by identifying within its student accounts receivable system amounts paid by student aid for tuition and books. The amounts are deducted from student tuition and fees, and auxiliary enterprises, respectively.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash with the State Board of Administration Local Government Surplus Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME, and Special Purpose Investment Account (SPIA) investments with the State Treasury. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SPIA and LGIP to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

At June 30, 2009, the College reported as cash equivalents at fair value \$3,968 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 1.84 years at June 30, 2009. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2009, the College reported as cash equivalents at fair value \$4,103,889 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

At June 30, 2009, the College reported as cash equivalents at fair value \$14 million of moneys held in two institutional short-term certificates of deposit with original maturities of less than three months.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture – 7 years

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College’s Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. The College had a \$5,000,000 investment in a certificate of deposit at June 30, 2009, reported at fair value.

Component Unit Investments

Investments held by the College’s component unit at March 31, 2009, are reported at fair value, as follows:

Investment Type	Amount
Government Obligations	\$ 3,008
Hedge Funds	5,129,379
Certificates of Deposit	15,576,770
Mutual Funds	23,961,273
Total Component Unit Investments	\$ 44,670,430

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student and administrative services provided by the College, uncollected commissions for vending machine sales, unused credit memos,

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

insurance reimbursement, and grant reimbursements due from third parties. These receivables are reported net of a \$736,598 allowance for uncollectible accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$26,294,400 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The College's financial statements are reported for the fiscal year ended June 30, 2009, whereas the Foundation's financial statements are reported for the fiscal year ended March 31, 2009. Accordingly, amounts reported by the College as due from and to component units on the statement of net assets do not agree with amounts reported by the component unit as due from and to the College. The \$311,337 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and personnel costs. The \$341,405 reported as due to component unit consists of amounts owed to the Foundation for leases on the Downtown Center and Osceola Campus land.

6. INVENTORIES

Inventories consist of items for resale by the campus bookstore and are valued using the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 18,569,135	\$ 28,777	\$	\$ 18,597,912
Construction in Progress	29,308,918	32,305,820	35,251,390	26,363,348
Total Nondepreciable Capital Assets	\$ 47,878,053	\$ 32,334,597	\$ 35,251,390	\$ 44,961,260
Depreciable Capital Assets:				
Buildings	\$ 148,320,981	\$ 27,978,440	\$	\$ 176,299,421
Other Structures and Improvements	6,245,464	7,295,950		13,541,414
Furniture, Machinery, and Equipment	13,874,123	1,281,809	423,023	14,732,909
Total Depreciable Capital Assets	168,440,568	36,556,199	423,023	204,573,744
Less, Accumulated Depreciation:				
Buildings	49,284,686	4,724,064		54,008,750
Other Structures and Improvements	5,683,650	827,379		6,511,029
Furniture, Machinery, and Equipment	12,204,485	1,109,803	421,296	12,892,992
Total Accumulated Depreciation	67,172,821	6,661,246	421,296	73,412,771
Total Depreciable Capital Assets, Net	\$ 101,267,747	\$ 29,894,953	\$ 1,727	\$ 131,160,973

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, compensated absences, special termination benefits, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,890,000	\$	\$ 295,000	\$ 3,595,000	\$ 305,000
Special Termination Benefits Payable	245,934	28,956		274,890	22,985
Compensated Absences Payable	6,179,129	885,471	423,095	6,641,505	1,261,886
Other Postemployment Benefits Payable	104,385	114,102		218,487	
Total Long-Term Liabilities	\$ 10,419,448	\$ 1,028,529	\$ 718,095	\$ 10,729,882	\$ 1,589,871

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2009:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 1999A	\$ 615,000	4.375 - 4.75	2019
Series 2005B	2,980,000	5.0	2018
Total	\$ 3,595,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 305,000	\$ 177,638	\$ 482,638
2011	325,000	162,669	487,669
2012	350,000	146,669	496,669
2013	365,000	129,444	494,444
2014	385,000	111,400	496,400
2015-2019	1,865,000	247,250	2,112,250
Total	\$ 3,595,000	\$ 975,070	\$ 4,570,070

Special Termination Benefits Payable. Executive management employees are provided seven days of administrative incentive leave credit each year. Such credit is prorated for each month worked, to a maximum of 35 days. Payment of such credited service is made at the time of termination from full-time executive management service for any reason other than cause. Accrued benefits for the 13 participants at June 30, 2009, totaled \$274,890, of which \$22,985 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$6,641,505. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year based on a historically determined average of the current portion in prior years.

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Other Postemployment Benefits Payable. The College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare and life insurance benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The College and the Consortium do not issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 211 retirees received postemployment healthcare benefits, and 145 retirees received postemployment life insurance benefits. The College provided required contributions of \$109,738 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,057,861.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 139,833
Amortization of Unfunded Actuarial Accrued Liability	77,825
Interest on Normal Cost and Amortization	6,530
Annual Required Contribution	224,188
Interest on Net OPEB Obligation	3,132
Adjustment to Annual Required Contribution	(3,480)
Annual OPEB Cost (Expense)	223,840
Contribution Toward the OPEB Cost	(109,738)
Increase in Net OPEB Obligation	114,102
Net OPEB Obligation, Beginning of Year	104,385
Net OPEB Obligation, End of Year	\$ 218,487

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the current and transition years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	217,658	52.0%	104,385
2008-09	223,840	49.0%	218,487

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$2,406,231 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,406,231 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$66,168,447 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability (UAAL) as of June 30, 2008, with an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year for one more year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after five years. The UAAL is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions (including employee contributions) for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$4,301,138, \$5,321,203, and \$4,467,329, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

138 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$960,921.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 132 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$963,782.

10. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2009, are as follows:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Project Description	Total Commitment	Completed to Date	Balance Committed
East Campus Chiller Renovation and Remodeling Project:			
General Contractor	\$ 5,331,296	\$ 4,348,630	\$ 982,666
West Campus Renovations - Buildings 1, 3, and 4:			
General Contractor	8,100,000	4,613,994	3,486,006
West Campus Joint Use Facility with University of Central Florida:			
General Contractor	18,570,800	15,040,479	3,530,321
Total	\$ 32,002,096	\$ 24,003,103	\$ 7,998,993

11. OPERATING LEASE COMMITMENTS

The College leased land and building space under operating leases, which expire in 2052. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 1,205,056
2011	769,138
2012	391,059
2013	200,000
2014	200,000
2015-2052	7,600,000
Total Minimum Payments Required	\$ 10,365,253

12. RISK MANAGEMENT PROGRAMS

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. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to

VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

\$200 million through February 28, 2009, and up to \$175 million beginning March 1, 2009. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

13. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

14. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 54,706,631
Gross Receipts Tax (Public Education Capital Outlay)	40,834,772
Education Enhancement Trust Fund (Lottery)	7,761,556
Bright Futures Scholarship Program	6,728,020
Florida Student Assistance Grants	5,019,541
Motor Vehicle License Tax (Capital Outlay and Debt Service)	976,288
Restricted Contracts and Grants	791,760
Total	<u><u>\$ 116,818,568</u></u>

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 58,461,695
Academic Support	11,794,430
Student Services	18,042,898
Institutional Support	32,814,035
Operation and Maintenance of Plant	35,257,760
Scholarships and Fellowships	19,001,829
Auxiliary Enterprises	16,922,229
Depreciation	6,661,246
Total Operating Expenses	<u><u>\$ 198,956,122</u></u>

16. CONTINGENCY

The United States Department of Education (USDOE) awarded the College, as fiscal agent, seven Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) partnership grants totaling \$3,023,019 during the 1998-99 and 1999-2000 award years. In May 2001, GEAR UP became the subject of a Federal audit conducted by the USDOE Office of Inspector General (OIG). The OIG recommended that the Assistant Secretary for Postsecondary Education require that the College:

**VALENCIA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- Refund \$496,392 to meet matching requirements for five grants.
- Refund \$1,325,932 of Federal funds to cover the unallowable facilities and equipment matching claims.

In May 2003, the College submitted its response in opposition to these findings. In October 2007, USDOE's Office of Postsecondary Education (OPE) determined that the law required the College to provide 50 percent of program costs as matching and that the College would not be required to provide matching in excess of that percentage. Therefore, the OPE did not sustain the OIG's recommendation that the College repay \$496,932 for matching requirements. However, the OPE did sustain the OIG finding regarding unallowable facilities and equipment matching and further revised the initial refund amount to \$1,508,599.

The OPE provided the College with an opportunity to submit within 60 days, any additional documentation it wished to have considered. On December 12, 2007, the College provided its response submitting matching documentation, including new matching documentation not previously submitted to the OIG or USDOE, that it asserts more than meets the matching obligation of \$1,508,599. In May 2008, the College was informed that OPE and Office of General Counsel are reviewing the additional documentation provided. Final resolution rests with USDOE.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of Valencia Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

Compliance and Other Matters

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 22, 2010