

**BREVARD COMMUNITY COLLEGE**

---

**Financial Audit**

For the Fiscal Year Ended  
June 30, 2010



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

Stephen G. Charpentier, Vice Chair from 8-17-09  
to 5-16-10, Chair from 5-17-10  
Dixie N. Sansom, Vice Chair from 5-17-10  
James Theriac, Chair to 5-16-10 (1)  
Alberta K. Wilson to 9-01-09, Vice Chair to 8-16-09 (2)  
Alan H. Landman  
Dedra S. Sibley from 10-29-09

Dr. James A. Drake, President

Notes: (1) Position remained vacant at June 30, 2010.  
(2) Position remained vacant from  
September 2, 2009, to October 28, 2009.

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 Robyn D. Bishop, 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](mailto: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](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**BREVARD COMMUNITY COLLEGE  
TABLE OF CONTENTS**

	<b>PAGE NO.</b>
<b>EXECUTIVE SUMMARY</b> .....	i
<b>INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements .....	16
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Other Postemployment Benefits Plan .....	32
<b>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></b> .....	
Internal Control Over Financial Reporting.....	33
Compliance and Other Matters .....	34

---

---

## 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 Brevard Community College and its officers with administrative and stewardship responsibilities for College operations had:

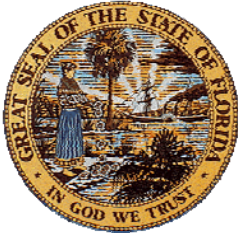
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. 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, in both 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. The results of our operational audit of the College are included in our report No. 2011-018.

### 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 Brevard 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 31. These financial statements are the responsibility of College 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 represents 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, 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 Brevard Community College and of its discretely presented component unit as of June 30, 2010, 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 Brevard 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 32 be presented to supplement the basic financial statements. Such information, although not a required 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 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.

Respectfully submitted,



David W. Martin, CPA  
March 9, 2011

## 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, 2010, 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.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$142.8 million at June 30, 2010. This balance reflects a \$1.6 million, or 1.1 percent, decrease from the 2008-09 fiscal year, resulting from decreases in cash and cash equivalents and amounts due from the State of Florida. While assets decreased, liabilities increased by \$0.7 million, or 4.7 percent, totaling \$17 million at June 30, 2010, compared to \$16.3 million at June 30, 2009. As a result, the College's net assets decreased by \$2.3 million, reaching a year-end balance of \$125.8 million.

The College's operating revenues totaled \$27 million for the 2009-10 fiscal year, representing a 2.2 percent increase over the 2008-09 fiscal year due mainly to increased student fee revenue. Operating expenses totaled \$101.7 million for the 2009-10 fiscal year, representing an increase of 7.6 percent over the 2008-09 fiscal year due mainly to increased scholarships and waivers, and personnel services expenses.

### 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:

- Brevard 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.
- Brevard 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 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 Brevard 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 Brevard Community College's operating results.

These two statements report Brevard 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. You will need to consider many other nonfinancial factors, such as

certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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 as of June 30, 2010, and June 30, 2009, is shown in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
<b>Assets</b>				
Current Assets	\$ 28,037	\$ 30,344	\$ 1,526	\$ 1,592
Capital Assets, Net	109,525	106,937	199	201
Other Noncurrent Assets	<u>5,269</u>	<u>7,129</u>	<u>12,336</u>	<u>12,095</u>
<b>Total Assets</b>	<u>142,831</u>	<u>144,410</u>	<u>14,061</u>	<u>13,888</u>
<b>Liabilities</b>				
Current Liabilities	6,893	5,869	16	20
Noncurrent Liabilities	<u>10,141</u>	<u>10,396</u>		
<b>Total Liabilities</b>	<u>17,034</u>	<u>16,265</u>	<u>16</u>	<u>20</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	106,642	103,094	199	201
Restricted	13,526	18,874	12,752	12,786
Unrestricted	<u>5,629</u>	<u>6,177</u>	<u>1,094</u>	<u>881</u>
<b>Total Net Assets</b>	<u>\$ 125,797</u>	<u>\$ 128,145</u>	<u>\$ 14,045</u>	<u>\$ 13,868</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (2,348)</u>	-1.8%	<u>\$ 177</u>	1.3%

Noncapital assets decreased by \$4.2 million due in part to a \$3.7 million decrease in the Public Education and Capital Outlay (PECO) receivable for capital project funds that were appropriated in previous years, but were received in the 2009-10 fiscal year, and a \$0.2 million decrease in the net receivable from a construction loan to the Historic Cocoa Village Playhouse, Inc.

Net capital assets increased by \$2.6 million due mainly to the capitalization of \$7.6 million in construction costs for the renovation of Multi-Purpose Building 7 and Gymnasium on the Melbourne Campus and \$1 million for capitalized equipment collegewide, net of \$6.2 million in depreciation. The College's investment in capital assets, net of related debt, also increased as a result of the capitalization of these expenditures because construction costs were funded through PECO and not proceeds from debt obligations.

Restricted net assets decreased by \$5.3 million because the PECO expenditures for major capital projects exceeded revenue for the 2009-10 fiscal year.

Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years are shown in the following table:

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

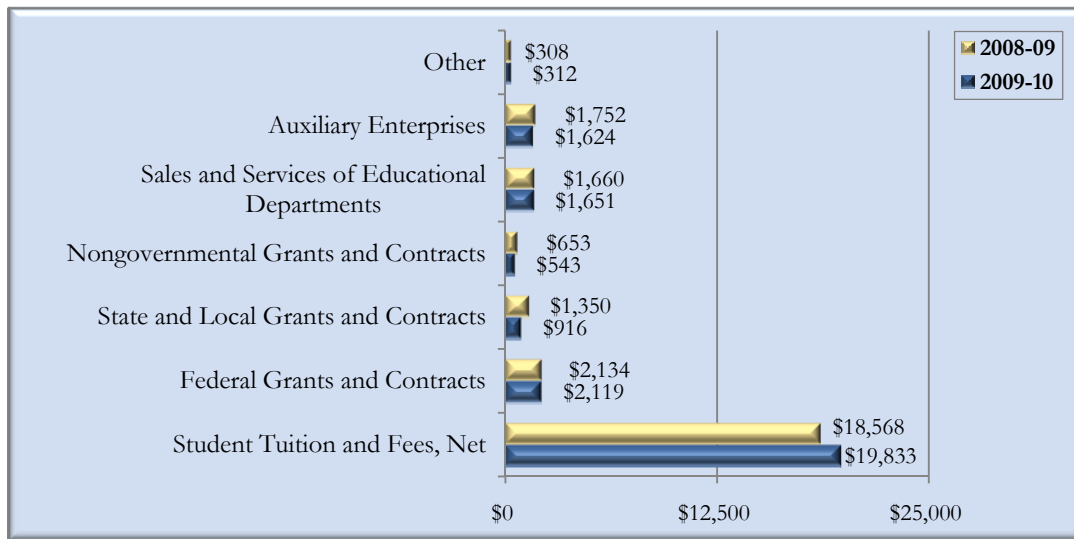
	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 19,833	\$ 18,568	\$	\$
Federal Grants and Contracts	2,119	2,134		
State and Local Grants and Contracts	916	1,350		
Nongovernmental Grants and Contracts	543	653		
Sales and Services of Educational Departments	1,651	1,660		
Auxiliary Enterprises	1,624	1,752		
Other Operating Revenues	312	308	93	100
<b>Total Operating Revenues</b>	<b>26,998</b>	<b>26,425</b>	<b>93</b>	<b>100</b>
Less, Operating Expenses	101,710	94,496	1,572	1,871
<b>Operating Loss</b>	<b>(74,712)</b>	<b>(68,071)</b>	<b>(1,479)</b>	<b>(1,771)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	35,187	38,513		
Other Nonoperating Revenues	29,804	17,774	1,616	984
Nonoperating Expenses	(227)	(459)		(1,455)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>64,764</b>	<b>55,828</b>	<b>1,616</b>	<b>(471)</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(9,948)	(12,243)	137	(2,242)
Capital Appropriations	4,109	6,589		
Capital Grants, Contracts, Gifts, and Fees	3,491	2,218		
Additions to Permanent Endowments			40	99
<b>Increase (Decrease) in Net Assets</b>	<b>(2,348)</b>	<b>(3,436)</b>	<b>177</b>	<b>(2,143)</b>
Net Assets, Beginning of Year	128,145	131,581	13,868	16,011
<b>Net Assets, End of Year</b>	<b>\$ 125,797</b>	<b>\$ 128,145</b>	<b>\$ 14,045</b>	<b>\$ 13,868</b>

**Operating 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 2009-10 and 2008-09 fiscal years:

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



Total operating revenues increased by \$0.6 million, or 2.2 percent, primarily due to an enrollment increase of 1,437 full-time equivalent students, or 12.5 percent, combined with increased tuition fee rates resulting in a \$1.3 million, or 6.8 percent, increase in net student fees recorded for the 2009-10 fiscal year.

**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.

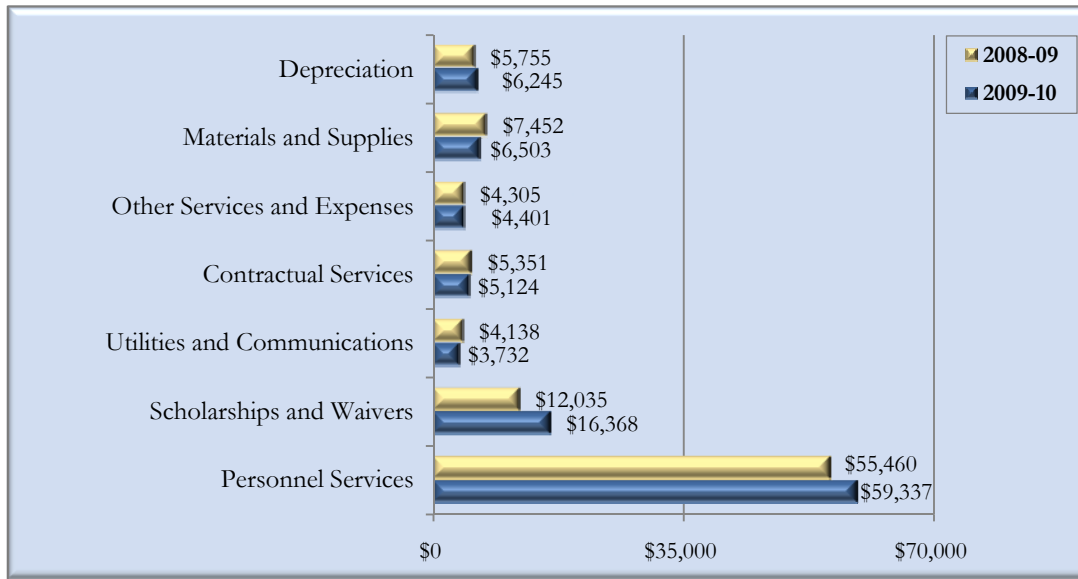
Operating expenses for the College and its component unit for the 2009-10 and 2008-09 fiscal years ended are presented in the following table:

**Operating Expenses for the Fiscal Years Ended  
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
<b>Operating Expenses</b>				
Personnel Services	\$ 59,337	\$55,460	\$ 614	\$ 661
Scholarships and Waivers	16,368	12,035	597	828
Utilities and Communications	3,732	4,138	2	1
Contractual Services	5,124	5,351	105	77
Other Services and Expenses	4,401	4,305	224	246
Materials and Supplies	6,503	7,452	28	56
Depreciation	6,245	5,755	2	2
<b>Total Operating Expenses</b>	<b>\$101,710</b>	<b>\$94,496</b>	<b>\$ 1,572</b>	<b>\$ 1,871</b>

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



Operating expenses for the College increased \$7.2 million, or 7.6 percent, compared to the prior fiscal year as a result of the following factors:

- Scholarships and waivers expenses increased by \$4.3 million due to an increase in Federal Title IV student aid.
- Personnel services expenses increased \$3.9 million due to an increase in adjunct instructional costs due to enrollment growth, increased insurance and retirement costs, new hires, and reorganization in certain areas of the College.

**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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
State Appropriations	\$ 35,187	\$ 38,513
Gifts and Grants	29,500	17,774
Investment Income (Loss)	304	(56)
Interest on Capital Asset-Related Debt	(193)	(238)
Other Nonoperating Expenses	(34)	(165)
<b>Net Nonoperating Revenues</b>	<b>\$ 64,764</b>	<b>\$ 55,828</b>

Net nonoperating revenues increased by \$8.9 million, or 16 percent, primarily from a combination of an increase in Federal Title IV student aid revenue of \$8.6 million due to enrollment growth and the number of eligible participants receiving financial aid and \$3.1 million in Federal American Recovery and Reinvestment Act (ARRA) funding, offset by a decrease in State appropriations of \$3.3 million.

**Other Revenues, Expenses, Gains, or Losses**

This category is 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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Capital Appropriations	\$4,109	\$6,589
Capital Grants, Contracts, Gifts, and Fees	3,491	2,218
<b>Total</b>	<b>\$7,600</b>	<b>\$8,807</b>

Other revenues decreased by \$1.2 million, or 13.7 percent, because of a \$2.5 million reduction in PECO appropriations offset by an increase in capital related student fees of \$1.3 million.

**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 2009-10 and 2008-09 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College  
(In Thousands)**

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (67,868)	\$ (63,856)
Noncapital Financing Activities	64,193	55,806
Capital and Related Financing Activities	2,298	5,533
Investing Activities	316	597
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,061)	(1,920)
Cash and Cash Equivalents, Beginning of Year	24,689	26,609
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 23,628</b>	<b>\$ 24,689</b>

Major sources of funds came from State appropriations (\$35.2 million), grants and contracts (\$33.1 million), and net student tuition and fees (\$19.3 million). Major uses of funds were for payments to employees (\$47.3 million) and payments to suppliers (\$16.1 million). Cash flows from noncapital financing activities increased \$8.4 million primarily due to increased State and Federal grants for student financial aid and ARRA funding. Capital related activities generated \$3.2 million less cash compared to the prior fiscal year. Cash receipts from capital appropriations decreased \$6.9 million as less cash was drawn from the State treasury for capital outlays. The decline in appropriations was partially offset by an increase in capital improvement and technology fees of \$1.6 million due to increased fee rates and enrollment.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2010, the College had \$206.3 million in capital assets, less accumulated depreciation of \$96.8 million, for net capital assets of \$109.5 million. Depreciation charges for the current fiscal year totaled \$6.2 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>2010</u>	<u>2009</u>
Land	\$ 6,843	\$ 6,842
Buildings	144,523	136,769
Other Structures and Improvements	24,631	18,186
Furniture, Machinery, and Equipment	17,379	16,831
Assets Under Capital Leases	6,199	6,594
Construction in Progress	6,724	12,655
<b>Total</b>	<b><u>206,299</u></b>	<b><u>197,877</u></b>
Less, Accumulated Depreciation:		
Buildings	62,772	59,486
Other Structures and Improvements	14,718	13,574
Furniture, Machinery, and Equipment	14,052	12,901
Assets Under Capital Leases	5,232	4,979
<b>Total Accumulated Depreciation</b>	<b><u>96,774</u></b>	<b><u>90,940</u></b>
<b>Capital Assets, Net</b>	<b><u>\$109,525</u></b>	<b><u>\$106,937</u></b>

The College has \$0.7 million in significant construction commitments at June 30, 2010. The construction commitments are for projects that include renovation of the Multi-Purpose Building 7 and Central Energy Plant Building 6 on the Melbourne Campus. In addition, planning is underway for the construction of the new public safety institute. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and 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 \$2.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

#### Long-Term Debt, at June 30: College (In Thousands)

	<u>2010</u>	<u>2009</u>
SBE Capital Outlay Bonds	\$ 1,405	\$ 1,610
Capital Leases	1,479	2,233
<b>Total</b>	<b><u>\$ 2,884</u></b>	<b><u>\$ 3,843</u></b>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, there were no bond sales and debt repayments totaled \$1 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**

Brevard Community College's economic condition is closely tied to that of the State of Florida. Because of declining State revenues and increased demand for State resources, State funding is anticipated to continue to decline in the coming years. These conditions together with rising operating costs led the Board of Trustees to increase tuition rates by 5 percent for the Fall 2010 term.

Enrollment increases are projected to continue as the general economy deteriorates. State universities continue capping enrollment for incoming freshmen and the College continues to focus on improving retention rates of current students. In addition, the College has committed to significantly increase services to students and the community by increasing funds for instruction and student support.

With unrestricted net assets of 5.5 percent of operating expenses, the College is well positioned to endure these uncertainties without a significant disruption to operations. Additionally, ARRA stimulus funding remains in effect for the 2010-11 fiscal year further bolstering a strong current foundation. As State revenues are projected to decline for an extended period of time, the College is looking to alternative funding sources, including maximizing auxiliary operations and private support for College programs. Toward that end, the College has continued to devote significant resources to expand planned giving and major gifts fundraising.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to Mark C. Cherry, CPA, Associate Vice President for Financial Services, Brevard Community College, 1519 Clearlake Road, Cocoa, Florida 32922.

## BASIC FINANCIAL STATEMENTS

### BREVARD COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2010

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,889,595	\$ 1,440,115
Investments		70,418
Accounts Receivable, Net	2,443,462	14,049
Notes Receivable, Net	10,967	
Due from Other Governmental Agencies	6,493,740	
Inventories	197,076	
Prepaid Expenses	1,745	
Deposits - Other	805	1,408
<b>Total Current Assets</b>	<b>28,037,390</b>	<b>1,525,990</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,738,470	
Investments	529,762	12,335,571
Depreciable Capital Assets, Net	95,958,883	24,358
Nondepreciable Capital Assets	13,566,475	174,984
<b>Total Noncurrent Assets</b>	<b>114,793,590</b>	<b>12,534,913</b>
<b>TOTAL ASSETS</b>	<b>\$ 142,830,980</b>	<b>\$ 14,060,903</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,183,754	\$ 16,238
Salary and Payroll Taxes Payable	2,383,141	
Construction Contracts Payable	956,338	
Construction Contracts Payable - Retainage Payable	350,232	
Deferred Revenue	182,006	
Estimated Claims Payable	160,134	
Deposits Held for Others	585,675	
Long-Term Liabilities - Current Portion:		
Bonds Payable	210,000	
Capital Leases Payable	750,263	
Compensated Absences Payable	132,036	
<b>Total Current Liabilities</b>	<b>6,893,579</b>	<b>16,238</b>
Noncurrent Liabilities:		
Bonds Payable	1,195,000	
Capital Leases Payable	728,490	
Special Termination Benefits Payable	283,007	
Compensated Absences Payable	7,736,036	
Other Postemployment Benefits Payable	198,102	
<b>Total Noncurrent Liabilities</b>	<b>10,140,635</b>	
<b>TOTAL LIABILITIES</b>	<b>17,034,214</b>	<b>16,238</b>

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 106,641,605	\$ 199,342
Restricted:		
Nonexpendable:		
Endowment		9,798,026
Expendable:		
Grants and Loans	2,677,913	1,715,787
Scholarships	1,232	1,238,049
Capital Projects	10,813,632	
Debt Service	33,014	
Unrestricted	5,629,370	1,093,461
<b>Total Net Assets</b>	125,796,766	14,044,665
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 142,830,980</b>	<b>\$ 14,060,903</b>

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

**BREVARD 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, 2010**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,956,025	\$ 19,833,380	\$
Federal Grants and Contracts	2,118,726	
State and Local Grants and Contracts	916,392	
Nongovernmental Grants and Contracts	543,165	
Sales and Services of Educational Departments	1,650,494	
Auxiliary Enterprises	1,624,151	
Other Operating Revenues	311,699	93,385
<b>Total Operating Revenues</b>	<u>26,998,007</u>	<u>93,385</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	59,337,019	614,121
Scholarships and Waivers	16,367,746	597,365
Utilities and Communications	3,731,849	2,133
Contractual Services	5,123,640	105,133
Other Services and Expenses	4,401,553	223,550
Materials and Supplies	6,503,123	27,734
Depreciation	6,244,768	1,960
<b>Total Operating Expenses</b>	<u>101,709,698</u>	<u>1,571,996</u>
<b>Operating Loss</b>	<u>(74,711,691)</u>	<u>(1,478,611)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	35,186,924	
Gifts and Grants	29,500,114	943,335
Investment Income	303,592	577,090
Other Nonoperating Revenues		94,762
Interest on Capital Asset-Related Debt	(193,473)	
Other Nonoperating Expenses	(33,646)	
<b>Net Nonoperating Revenues</b>	<u>64,763,511</u>	<u>1,615,187</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(9,948,180)</u>	<u>136,576</u>
Capital Appropriations	4,109,151	
Capital Grants, Contracts, Gifts, and Fees	3,490,609	
Additions to Permanent Endowments		40,102
<b>Total Other Revenues</b>	<u>7,599,760</u>	<u>40,102</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(2,348,420)</u>	<u>176,678</u>
Net Assets, Beginning of Year	<u>128,145,186</u>	<u>13,867,987</u>
<b>Net Assets, End of Year</b>	<u>\$125,796,766</u>	<u>\$ 14,044,665</u>

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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 19,259,882
Grants and Contracts	3,644,903
Payments to Suppliers	(16,075,595)
Payments for Utilities and Communications	(3,735,907)
Payments to Employees	(47,268,228)
Payments for Employee Benefits	(10,952,399)
Payments for Scholarships	(16,323,620)
Sales and Service of Educational Departments	1,650,494
Other Receipts	1,932,700
<b>Net Cash Used by Operating Activities</b>	<b>(67,867,770)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	35,186,924
Gifts and Grants Received for Other Than Capital or Endowment Purposes	29,500,114
Other Nonoperating Disbursements	(494,031)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>64,193,007</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	7,760,876
Capital Grants and Gifts	3,725,147
Purchases of Capital Assets	(8,034,617)
Principal Paid on Capital Debt and Leases	(959,355)
Interest Paid on Capital Debt and Leases	(193,473)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>2,298,578</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	215,515
Investment Income	100,059
<b>Net Cash Provided by Investing Activities</b>	<b>315,574</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,060,611)</b>
Cash and Cash Equivalents, Beginning of Year	24,688,676
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 23,628,065</b>

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (74,711,691)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,244,768
Changes in Assets and Liabilities:	
Receivables, Net	(599,903)
Inventories	18,641
Other Assets	3,656
Payables, Net	283,183
Deferred Revenue	89,875
Compensated Absences Payable	721,622
Special Termination Benefits Payable	41,521
Other Postemployment Benefits Payable	40,558
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (67,867,770)</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>	
Unrealized gains were recognized as increases in investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 203,533

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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Brevard 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 five 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 Brevard County.

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 Brevard 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 June 30, 2010.

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.

**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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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
- Other Required Supplementary Information

**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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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 a nonoperating expense.

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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 (SBA) Florida PRIME Investment Pool, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and other short-term money market investments. For 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 SBA Florida PRIME Investment Pool, and other short-term money market accounts 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.

At June 30, 2010, the College reported as cash equivalents at fair value \$21,051,445 of moneys held in the Funds for Institutions (FFI) Government Fund. The FFI Government Fund is a money market mutual fund, managed by an investment advisor that is subject to all of the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended. The FFI Government Fund carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 37 days as of June 30, 2010. 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 FFI Government Fund to interest rate changes.

At June 30, 2010, the College reported as cash equivalents at fair value \$49,258 of moneys held in the Florida PRIME Investment Pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME Investment Pool, which the SBA indicates is a Securities and

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME Investment Pool 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, 2010. 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 Florida PRIME Investment Pool to interest rate changes. The investments in the Florida PRIME Investment Pool are reported at fair value, which is amortized cost.

**Capital Assets.** College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. 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
  - Special Use Industrial Buildings – 20 years
  - Modular Buildings – 10 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 to 10 years
- Assets Under Capital Leases – 5 to 10 years

Land, buildings, and equipment of the College's component unit, the Brevard Community College Foundation, Inc. are stated at cost except for donated property which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$94,285. The College's component unit depreciates buildings and equipment using the straight-line method or double-declining balance over estimated useful lives ranging from 5 to 39 years.

**Noncurrent Liabilities.** Noncurrent liabilities include bonds payable, capital leases 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.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

## 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 Florida PRIME 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.

### **State Board of Administration Fund B Surplus Funds Trust Fund**

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME Investment Pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME Investment Pool.

At June 30, 2010, the College reported investments at fair value of \$529,762 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

### **Component Unit Investments**

Investments held by the College's component unit (Foundation) at June 30, 2010, are reported at fair value based on quoted market prices, as follows:

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 - 5	More Than 6
<b>Investment in Debt Obligations:</b>				
United States Government Obligations	\$ 1,953,563	\$	\$ 1,953,563	\$
United States Agency Obligations	2,991,171		2,316,246	674,925
Corporate Bonds	943,730	325,275	618,455	
<b>Total Investment in Debt Obligations</b>	<b>5,888,464</b>	<b>\$325,275</b>	<b>\$4,888,264</b>	<b>\$674,925</b>
<b>Other Investments:</b>				
Equity Securities	5,214,353			
Partnership	1,232,754			
SBA Fund B	70,418			
<b>Total Other Investments</b>	<b>6,517,525</b>			
<b>Total Component Unit Investments</b>	<b>\$12,405,989</b>			

The following risks apply to the Foundation’s investments in debt securities:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s investment policy limits interest rate risk by requiring that investment maturities shall not be greater than 15 years at the time of purchase.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy limits investments to securities with a credit rating of “A” or better at the time of purchase. Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Corporate bonds held by the Foundation at June 30, 2010, were rated as follows by Standard & Poor’s:

	Fair Value	Rating
Corporate Bonds	\$370,105	AAA
	61,713	AA+
	63,434	A+
	122,101	A
	138,439	A-
	62,830	BBB+
	65,159	BBB
	59,949	BBB-
<b>Total Corporate Bonds</b>	<b>\$943,730</b>	

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the College’s investment in a single issue. The Foundation’s policy does not allow for an investment in any single equity position greater than 10 percent of the Foundation’s total equity portfolio. The Foundation’s investment policy does not address concentration of credit risk with respect to fixed income investments.

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for various student services provided by the College (\$2,213,414); amount due from Cocoa Village Playhouse (\$397,548); child care services (\$122,781); and contract and grant reimbursements due from third parties (\$3,360). These receivables are reported net of a \$293,641 allowance for uncollectible accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount consists of Public Education Capital Outlay allocations due from the State for construction of College facilities (\$6,108,176); amounts due for various State and Federal grants (\$254,371); amounts due for various State student tuition contracts (\$128,800); and amounts due for State childcare center grants (\$2,393).

**5. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 6,842,800	\$	\$	\$ 6,842,800
Construction in Progress	12,655,323	7,654,704	13,586,352	6,723,675
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 19,498,123</b>	<b>\$ 7,654,704</b>	<b>\$ 13,586,352</b>	<b>\$ 13,566,475</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 136,768,758	\$ 7,754,475	\$	\$ 144,523,233
Other Structures and Improvements	18,186,228	6,445,102		24,631,330
Furniture, Machinery, and Equipment	16,830,500	993,132	444,547	17,379,085
Assets Under Capital Lease	6,593,525		394,422	6,199,103
<b>Total Depreciable Capital Assets</b>	<b>178,379,011</b>	<b>15,192,709</b>	<b>838,969</b>	<b>192,732,751</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	59,485,904	3,285,718		62,771,622
Other Structures and Improvements	13,573,881	1,143,922		14,717,803
Furniture, Machinery, and Equipment	12,900,798	1,562,854	411,080	14,052,572
Assets Under Capital Lease	4,979,597	646,696	394,422	5,231,871
<b>Total Accumulated Depreciation</b>	<b>90,940,180</b>	<b>6,639,190</b> (1)	<b>805,502</b>	<b>96,773,868</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 87,438,831</b>	<b>\$ 8,553,519</b>	<b>\$ 33,467</b>	<b>\$ 95,958,883</b>

Note: (1) Additions to accumulated depreciation does not agree to depreciation expense on the statement of revenues, expenses, and changes in net assets as \$394,422 of accumulated depreciation was transferred from assets under capital lease to furniture, machinery, and equipment.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**6. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2010, include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,610,000	\$	\$ 205,000	\$ 1,405,000	\$ 210,000
Capital Leases Payable	2,233,108		754,355	1,478,753	750,263
Special Termination Benefits Payable	241,486	104,694	63,173	283,007	
Compensated Absences Payable	7,146,450	1,065,944	344,322	7,868,072	132,036
Other Postemployment Benefits Payable	157,544	81,030	40,472	198,102	
<b>Total Long-Term Liabilities</b>	<b>\$11,388,588</b>	<b>\$1,251,668</b>	<b>\$1,407,322</b>	<b>\$11,232,934</b>	<b>\$1,092,299</b>

**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, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2002B	\$ 875,000	4.00 - 5.375	2015
Series 2005A	205,000	5.00	2016
Series 2005B	325,000	5.00	2018
<b>Total</b>	<b>\$1,405,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 210,000	\$ 71,262	\$ 281,262
2012	230,000	60,219	290,219
2013	245,000	50,369	295,369
2014	265,000	37,463	302,463
2015	280,000	23,500	303,500
2016-2018	175,000	16,000	191,000
<b>Total</b>	<b>\$ 1,405,000</b>	<b>\$ 258,813</b>	<b>\$ 1,663,813</b>

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**Capital Leases Payable.** Cooling plant energy saving equipment in the amount of \$5,931,250, and a collegewide infrastructure telecommunications system refresh in the amount of \$267,853 were acquired under capital lease agreements. The stated interest rate for the cooling plant equipment is 5.94 to 6.5 percent. The stated interest rate for the telecommunication system is 5.061 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Amount
2011	\$ 815,813
2012	715,933
2013	37,055
<b>Total Minimum Payments</b>	1,568,801
Less, Amount Representing Interest	90,048
<b>Present Value of Minimum Payments</b>	<b>\$ 1,478,753</b>

**Special Termination Benefits Payable.** The College Board of Trustees has adopted an Executive Benefit Plan for full Vice Presidents or above who are employed at executive salary grade levels III and IV. The Plan included provisions for severance pay to be paid to the employee upon separation of employment through retirement, termination, or death. Accrued benefits for the thirteen participants at June 30, 2010, totaled \$283,007, and are included in special termination benefits payable.

**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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$7,868,072. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program, or those known to be retiring during the next fiscal year.

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

*Plan Description.* The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare benefits and has a single-employer defined-Benefit plan for life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 plans 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 plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the plans and the plans are not included in the annual report of a public employees' retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 133 retirees received postemployment healthcare and life benefits. The College provided required contributions of \$40,731 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$306,690.

*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 GASB 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 plans, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 57,292
Amortization of Unfunded Actuarial Accrued Liability	<u>24,678</u>
<b>Annual Required Contribution</b>	81,970
Interest on Net OPEB Obligation	4,719
Adjustment to Annual Required Contribution	<u>(5,400)</u>
<b>Annual OPEB Cost (Expense)</b>	81,289
Contribution Toward the OPEB Cost	<u>(40,731)</u>
<b>Increase in Net OPEB Obligation</b>	40,558
Net OPEB Obligation, Beginning of Year	<u>157,544</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$198,102</u>

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, 2010, and for the transition and preceding years were as follows:

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	93,191	16.6%	77,735
2008-09	93,191	14.4%	157,544
2009-10	81,289	50.1%	198,102

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$718,784, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$718,784 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$38,735,552 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.9 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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 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 OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability (UAAL) as of June 30, 2010, and the College’s 2009-10 fiscal year ARC. This method was selected because it is the same method used in the 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 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after eighteen years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**7. 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.

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 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 2009-10 fiscal year were as follows:

Class	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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 0.05 percent for administrative costs of the PEORP.  
(B) Contribution rates are dependent upon retirement class 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 for the fiscal

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$3,547,925, \$3,882,196, and \$4,038,291, 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 188 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$698,653.

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.

**8. CONSTRUCTION COMMITMENTS**

The College’s major construction commitments at June 30, 2010, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Melbourne Campus:			
Central Energy Plant Building 6	\$ 1,750,000	\$ 1,263,513	\$ 486,487
Multipurpose Building 7	5,456,224	5,268,910	187,314
<b>Total</b>	<b>\$ 7,206,224</b>	<b>\$ 6,532,423</b>	<b>\$ 673,801</b>

**9. OPERATING LEASE COMMITMENTS**

The College leased vehicles under operating leases, which expire in 2015. 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:

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Fiscal Year Ending June 30	Amount
2011	\$ 58,404
2012	42,764
2013	25,889
2014	22,547
2015	5,637
<b>Total Minimum Payments Required</b>	<b>\$155,241</b>

**10. 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 \$175 million through February 28, 2010, and up to \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health and hospitalization, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Life, vision, and long-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

**11. 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.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 30,836,496
Education Enhancement Trust Fund (Lottery)	4,350,428
Gross Receipts Tax (Public Education Capital Outlay)	3,555,551
Bright Futures Scholarship Program	3,402,651
Florida Student Assistance Grants	1,587,940
Restricted Contracts and Grants	1,058,977
Motor Vehicle License Tax (Capital Outlay and Debt Service)	553,600
Other State Sources	83,000
<b>Total</b>	<b><u><u>\$ 45,428,643</u></u></b>

**12. 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	\$ 31,654,872
Public Services	2,136,913
Academic Support	5,513,263
Student Services	8,533,317
Institutional Support	17,263,855
Operation and Maintenance of Plant	14,040,331
Scholarships and Fellowships	16,322,379
Depreciation	6,244,768
<b>Total Operating Expenses</b>	<b><u><u>\$ 101,709,698</u></u></b>

**13. RELATED ORGANIZATIONS TRANSACTIONS**

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from certain direct-support organizations that do not meet the criteria, as discussed in note 1, for inclusion in the College’s financial statements as component units of the College. These organizations included the Maxwell C. King Center for the Performing Arts, Inc., and The Historic Cocoa Village Playhouse, Inc.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Information for each direct-support organization based on its financial statements as of June 30, 2010, is summarized in the following table:

	Maxwell C. King Center for the Performing Arts, Inc.	The Historic Cocoa Village Playhouse, Inc.
Assets	\$ 5,657,125	\$ 99,784
Liabilities	410,696	454,564
Revenues	4,644,609	1,085,337
Expenses	5,435,703	894,578

The Historic Cocoa Village Playhouse, Inc. (CVP), owes the College \$416,164 from a construction loan. The loan amount has been partially offset by cash and investments held by the College on behalf of CVP.

**14. JOINT PARTICIPATION AGREEMENT**

Brevard Community College entered into a joint participation agreement with Daytona State College to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

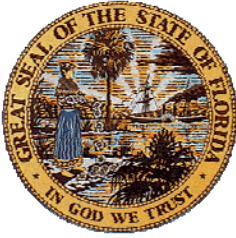
The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use digital antenna, and to jointly lease tower space. The Colleges will share equally the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repair of the equipment and facilities and common expenses relating to the joint use of the leased tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be necessary for the common benefit of the Colleges.

Daytona State College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona State College will serve as the owner of record of the digital antenna, transmission lines, and associated equipment acquired with various Federal and State grants. However, the Federal government retains a ten-year lien on equipment purchased with Federal funds that commences from the date of completion of the project. The lien is effective through September 30, 2013.

**BREVARD COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$746,022	\$746,022	0%	\$ 35,460,907	2.1%
7/1/2009	\$	\$718,784	\$718,784	0%	\$ 38,735,552	1.9%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.



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 Brevard 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, 2010, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2011-018.

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 9, 2011