

# CHIPOLA COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2011



***BOARD OF TRUSTEES AND PRESIDENT***

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
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Mark S. Plummer, Vice Chair (2)	Liberty
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Dr. Gene Prough, President

- Notes: (1) Board member served beyond the end of term, May 31, 2011.  
(2) Board member served beyond the end of term, May 31, 2010.

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 was coordinated by Patricia Crutchfield, 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.

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**EXECUTIVE SUMMARY**

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**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 Chipola 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, 2011. 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. 2012-018.

**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

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Tallahassee, Florida 32399-1450



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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 Chipola 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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. 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 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, 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 Chipola College and of its discretely presented component unit as of June 30, 2011, 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 Chipola 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** and the **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, 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  
November 21, 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, 2011, 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 \$63.4 million at June 30, 2011. This balance reflects a \$1.8 million, or 3 percent, increase from the 2009-10 fiscal year, resulting primarily from an increase of \$10.1 million in capital assets, offset by a \$8.5 million decrease in current assets. While assets grew, liabilities increased by a lesser amount of \$575 thousand, or 15.3 percent, totaling \$4.3 million at June 30, 2011, compared to \$3.7 million at June 30, 2010. As a result, the College's net assets increased by \$1.3 million, reaching a year-end balance of \$59.1 million.

The College's operating revenues totaled \$4.2 million for the 2010-11 fiscal year, representing a 9.6 percent increase over the 2009-10 fiscal year. Operating expenses totaled \$22.6 million for the 2010-11 fiscal year, representing an increase of 7 percent over the 2009-10 fiscal year due mainly to accounting for Federal Direct Student Loans within the College's accounting system.

### 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:

- Chipola 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.
- Chipola 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 Chipola 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 Chipola College's operating results.

These two statements report Chipola 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, 2011, and June 30, 2010, is shown in the following table:

	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
<b>Assets</b>				
Current Assets	\$ 14,752	\$ 23,243	\$ 235	\$ 447
Capital Assets, Net	47,357	37,221		
Other Noncurrent Assets	<u>1,278</u>	<u>1,081</u>	<u>14,524</u>	<u>13,109</u>
<b>Total Assets</b>	<u>63,387</u>	<u>61,545</u>	<u>14,759</u>	<u>13,556</u>
<b>Liabilities</b>				
Current Liabilities	2,682	2,109	34	33
Noncurrent Liabilities	<u>1,639</u>	<u>1,637</u>		
<b>Total Liabilities</b>	<u>4,321</u>	<u>3,746</u>	<u>34</u>	<u>33</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	47,077	36,901		
Restricted	10,173	19,649	11,600	10,744
Unrestricted	<u>1,816</u>	<u>1,249</u>	<u>3,125</u>	<u>2,779</u>
<b>Total Net Assets</b>	<u>\$ 59,066</u>	<u>\$ 57,799</u>	<u>\$ 14,725</u>	<u>\$ 13,523</u>
<b>Increase in Net Assets</b>	<u>\$ 1,267</u>	2.2%	<u>\$ 1,202</u>	8.9%

Total assets increased by \$1.8 million and total net assets increased by nearly \$1.3 million in the 2010-11 fiscal year. Both of these increases are primarily the result of increases in capital assets of \$10.1 million while current assets decreased by \$8.5 million. These changes are the result of construction activity involving three projects on campus. The projects are the newly constructed Workforce Development Building and Chiller Plant, along with the construction in progress of a new Center for Arts Building.

Revenues and expenses of the College and its component unit for the 2010-11 and 2009-10 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)**

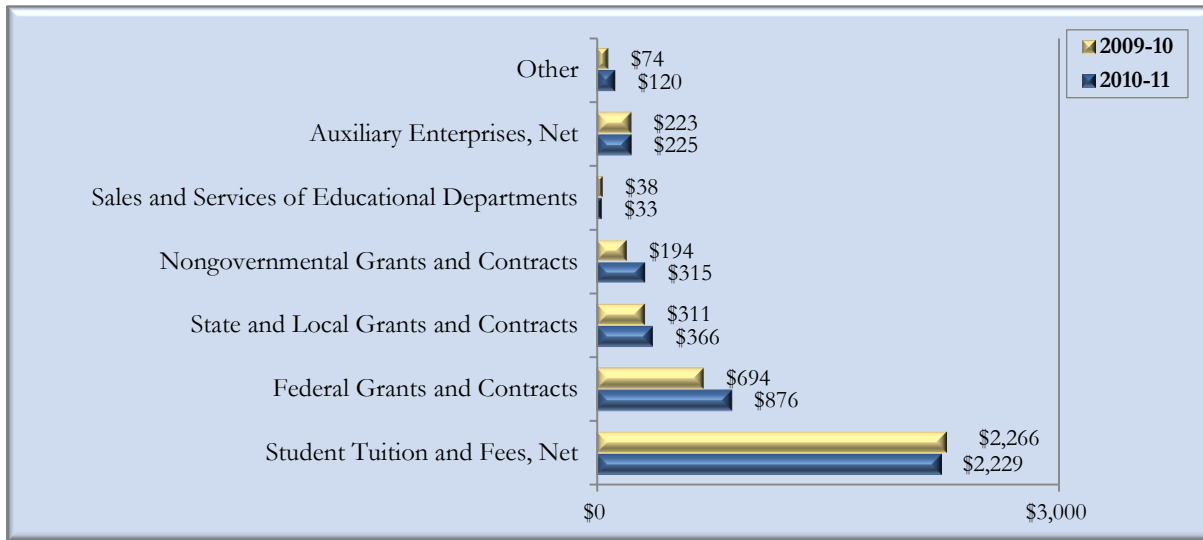
	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 2,229	\$ 2,266	\$	\$
Federal Grants and Contracts	876	694		
State and Local Grants and Contracts	366	311		
Nongovernmental Grants and Contracts	315	194	797	918
Sales and Services of Educational Departments	33	38		
Auxiliary Enterprises, Net of Scholarship Allowances	225	223		
Other Operating Revenues	120	74	44	
<b>Total Operating Revenues</b>	<b>4,164</b>	<b>3,800</b>	<b>841</b>	<b>918</b>
Less, Operating Expenses	22,636	21,162	1,076	1,208
<b>Operating Loss</b>	<b>(18,472)</b>	<b>(17,362)</b>	<b>(235)</b>	<b>(290)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	9,638	9,333		
Other Nonoperating Revenues	6,896	5,950	1,254	1,045
Nonoperating Expenses	(16)	(18)		
<b>Net Nonoperating Revenues</b>	<b>16,518</b>	<b>15,265</b>	<b>1,254</b>	<b>1,045</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(1,954)	(2,097)	1,019	755
State Capital Appropriations	2,807	1,116		
Capital Grants, Contracts, Gifts, and Fees	414	409		
Additions to Permanent Endowments			183	38
<b>Increase (Decrease) in Net Assets</b>	<b>1,267</b>	<b>(572)</b>	<b>1,202</b>	<b>793</b>
Net Assets, Beginning of Year	57,799	58,371	13,523	12,730
<b>Net Assets, End of Year</b>	<b>\$ 59,066</b>	<b>\$ 57,799</b>	<b>\$ 14,725</b>	<b>\$ 13,523</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 2010-11 and 2009-10 fiscal years:

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



College operating revenues include student tuition and fees and auxiliary enterprises, which are shown net of scholarship allowances, (amounts received from other than students and third-party payers). Scholarship allowances include payments from Federal Title IV student aid programs (i.e., Pell and FSEOG), Florida Bright Futures Scholarships, and other institutional scholarships. Other operating revenues include Federal, State, local, and nongovernmental grants and contracts, and auxiliary enterprises revenues, which consist of bookstore commissions, housing operations, and campus-wide vending programs. Total operating revenues increased by nearly \$364 thousand in fiscal year 2010-11 when compared to the previous year. As shown in the chart above, each operating revenue category was fairly consistent when compared to the previous 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.

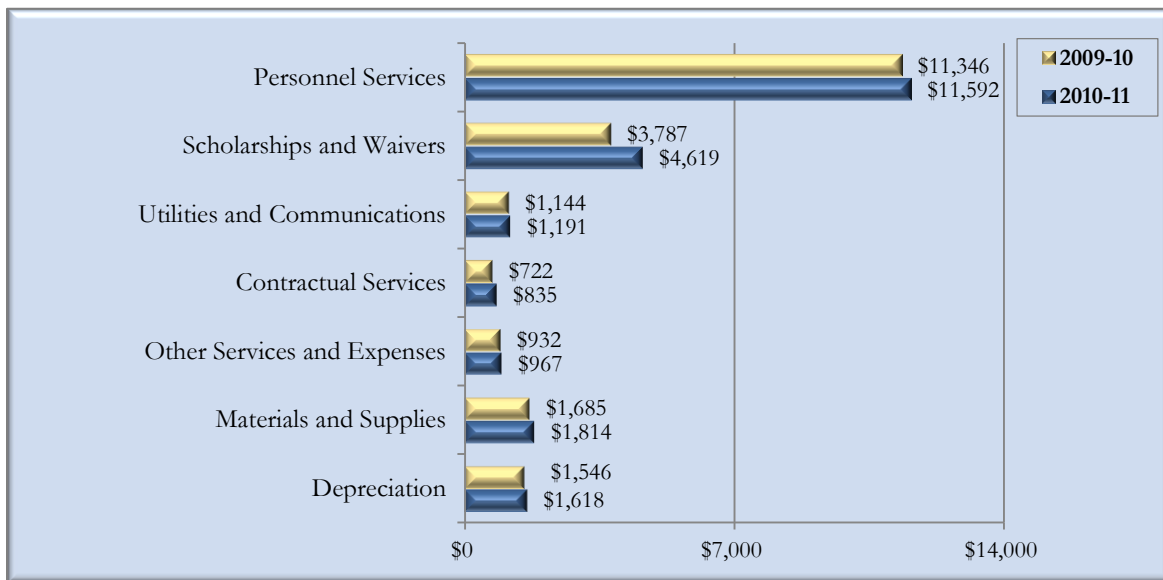
Operating expenses for the College and its component unit for the 2010-11 and 2009-10 fiscal years are presented in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
<b>Operating Expenses</b>				
Personnel Services	\$ 11,592	\$ 11,346	\$	\$
Scholarships and Waivers	4,619	3,787	571	603
Utilities and Communications	1,191	1,144		
Contractual Services	835	722		
Other Services and Expenses	967	932	505	605
Materials and Supplies	1,814	1,685		
Depreciation	1,618	1,546		
<b>Total Operating Expenses</b>	<b>\$ 22,636</b>	<b>\$ 21,162</b>	<b>\$ 1,076</b>	<b>\$ 1,208</b>

The following chart presents the College’s operating expenses for the 2010-11 and 2009-10 fiscal years:

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



College operating expenses increased by nearly \$1.5 million from 2010-11. Increases in scholarships and waivers of \$832 thousand were the largest contributor to the overall increase. The requirement that Federal Direct Student Loans be accounted for within the College’s accounting system, and a larger amount of Pell awards made in the 2010-11 fiscal year, were the primary reason for increases in scholarship and waiver expenses.

**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 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Noncapital Appropriations	\$ 9,638	\$ 9,333
Gifts and Grants	6,873	5,923
Investment Income	23	27
Interest on Capital Asset-Related Debt	(16)	(18)
<b>Net Nonoperating Revenues</b>	<b>\$ 16,518</b>	<b>\$ 15,265</b>

When compared to the prior fiscal year, College net nonoperating revenues increased by \$1.3 million, or 8.2 percent. As with scholarship and waiver expenses, requirements to account for Federal Direct Student Loans within the College's accounting system account for \$647 thousand of the \$950 thousand increase in nonoperating gifts and grants. The remainder of the increase in nonoperating gifts and grants is attributable to increases in other Federal student aid such as Pell grants.

**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 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Capital Appropriations	\$ 2,807	\$ 1,116
Capital Grants, Contracts, Gifts, and Fees	414	409
<b>Total</b>	<b>\$ 3,221</b>	<b>\$ 1,525</b>

Capital appropriations, which consists of Public Education Capital Outlay (PECO) appropriations and support from the State-assessed motor vehicle license tax for bond debt service, increased by \$1.7 million, due to an increase in State PECO appropriations to the College for capital projects.

**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 2010-11 and 2009-10 fiscal years is presented in the following table:

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

	<u>2010-11</u>	<u>2009-10</u>
Cash Provided (Used) by:		
Operating Activities	\$ (16,788)	\$ (16,146)
Noncapital Financing Activities	16,511	15,256
Capital and Related Financing Activities	1,755	1,041
Investing Activities	<u>57</u>	<u>26</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,535	177
Cash and Cash Equivalents, Beginning of Year	<u>6,078</u>	<u>5,901</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 7,613</u>	<u>\$ 6,078</u>

Major sources of funds came from State non capital appropriations (\$9.6 million), gifts and grants (\$6.9 million), capital appropriations (\$12.5 million), and net student tuition and fees (\$2.3 million).

Cash and cash equivalents increased by \$1.5 million, or 25 percent from the previous year. The increase in cash used by operating activities is primarily a result of an \$815 thousand cash outflow for scholarships as Federal Direct Student Loans were accounted for within the College's accounting system and increases in Pell awards were made during the 2010-2011 fiscal year. This outflow was partially offset by an increase in cash inflow of \$538 thousand from operating grants and contracts. A new Federal Trio grant (Student Support Services) and a State Quick Response training grant were major contributors to the increase in grants and contracts.

Increases in cash inflows for noncapital financing activity of \$1.3 million is also primarily the result of Federal Direct Student Loans being accounted for within the College's accounting system and increased Federal Pell awards.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2011, the College had \$72.8 million in capital assets, less accumulated depreciation of \$25.4 million, for net capital assets of \$47.4 million. Depreciation charges for the current fiscal year totaled \$1.6 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>2011</u>	<u>2010</u>
Land	\$ 1,952	\$ 1,792
Buildings	32,727	27,855
Other Structures and Improvements	1,856	1,988
Furniture, Machinery, and Equipment	248	270
Construction in Progress	<u>10,574</u>	<u>5,316</u>
<b>Total</b>	<u>\$ 47,357</u>	<u>\$ 37,221</u>

The College has nearly \$6 million in a major construction contract commitment at June 30, 2011. The commitment is for a new Center for the Arts Building. 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 \$280 thousand in long-term debt outstanding versus \$320 thousand at the end of the prior fiscal year. The entire amount of this debt is in State Board of Education (SBE) Capital Outlay Bonds.

The State Board of Education issues capital outlay bonds on behalf of the College. The bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. Proceeds from these bonds are used to construct and renovate College facilities. Additional information about the College's long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Chipola College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, State funding is anticipated to remain relatively flat. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent, as permitted by the Florida Legislature, to take effect beginning with the Fall 2011 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance, Chipola College, 3094 Indian Circle, Marianna, Florida 32446.

**BASIC FINANCIAL STATEMENTS**

**CHIPOLA COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2011**

	<b>College</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,824,381	\$ 137,562
Restricted Cash and Cash Equivalents	2,510,942	
Accounts Receivable	95,773	32,966
Notes Receivable	7,090	
Due from Other Governmental Agencies	8,166,770	
Due from College		29,976
Prepaid Expenses	146,814	
Other Assets		34,270
<b>Total Current Assets</b>	<b>14,751,770</b>	<b>234,774</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,277,972	1,841,097
Restricted Investments		12,442,107
Depreciable Capital Assets, Net	34,830,738	
Nondepreciable Capital Assets	12,526,178	
Other Assets		241,141
<b>Total Noncurrent Assets</b>	<b>48,634,888</b>	<b>14,524,345</b>
<b>TOTAL ASSETS</b>	<b>\$ 63,386,658</b>	<b>\$ 14,759,119</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,363,576	\$ 34,387
Salary and Payroll Taxes Payable	414,310	
Retainage Payable	482,968	
Due to Other Governmental Agencies	14,581	
Due to Component Unit	29,976	
Deferred Revenue	96,003	
Deposits Held for Others	40,726	
Long-Term Liabilities - Current Portion:		
Bonds Payable	40,000	
Compensated Absences Payable	200,000	
<b>Total Current Liabilities</b>	<b>2,682,140</b>	<b>34,387</b>
Noncurrent Liabilities:		
Bonds Payable	240,000	
Compensated Absences Payable	1,321,399	
Other Postemployment Benefits Payable	77,119	
<b>Total Noncurrent Liabilities</b>	<b>1,638,518</b>	
<b>TOTAL LIABILITIES</b>	<b>4,320,658</b>	<b>34,387</b>

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2011**

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 47,076,916	\$
Restricted:		
Nonexpendable:		
Endowment		6,083,647
Expendable:		
Grants and Loans	594,036	
Scholarships	365,084	5,515,825
Capital Projects	9,200,000	
Debt Service	14,208	
Unrestricted	1,815,756	3,125,260
<b>Total Net Assets</b>	59,066,000	14,724,732
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 63,386,658	\$ 14,759,119

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

**CHIPOLA 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, 2011**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,913,216	\$ 2,229,236	\$
Federal Grants and Contracts	875,481	
State and Local Grants and Contracts	366,045	
Nongovernmental Grants and Contracts	315,097	796,866
Sales and Services of Educational Departments	32,660	
Auxiliary Enterprises, Net of Scholarship Allowances of \$16,737	224,914	
Other Operating Revenues	120,156	44,049
<b>Total Operating Revenues</b>	<u>4,163,589</u>	<u>840,915</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	11,592,147	
Scholarships and Waivers	4,618,851	571,247
Utilities and Communications	1,190,922	
Contractual Services	835,025	
Other Services and Expenses	966,969	504,407
Materials and Supplies	1,813,527	
Depreciation	1,618,507	
<b>Total Operating Expenses</b>	<u>22,635,948</u>	<u>1,075,654</u>
<b>Operating Loss</b>	<u>(18,472,359)</u>	<u>(234,739)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	9,638,166	
Gifts and Grants	6,873,172	
Investment Income	22,452	347,119
Net Realized and Unrealized Gain on Investments		906,676
Interest on Capital Asset-Related Debt	(15,821)	
<b>Net Nonoperating Revenues</b>	<u>16,517,969</u>	<u>1,253,795</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(1,954,390)</u>	<u>1,019,056</u>
State Capital Appropriations	2,806,910	
Capital Grants, Contracts, Gifts, and Fees	414,049	
Additions to Permanent Endowments		182,867
<b>Total Other Revenues</b>	<u>3,220,959</u>	<u>182,867</u>
<b>Increase in Net Assets</b>	1,266,569	1,201,923
Net Assets, Beginning of Year	57,799,431	13,522,809
<b>Net Assets, End of Year</b>	<u>\$ 59,066,000</u>	<u>\$ 14,724,732</u>

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

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2011**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 2,275,395
Grants and Contracts	1,586,460
Payments to Suppliers	(3,632,258)
Payments for Utilities and Communications	(1,190,922)
Payments to Employees	(9,207,534)
Payments for Employee Benefits	(2,413,534)
Payments for Scholarships	(4,602,114)
Loans Issued to Students	(5,967)
Collection on Loans to Students	8,017
Sales and Service of Educational Departments	32,660
Auxiliary Enterprises, Net	224,914
Other Operating Receipts	137,007
	<b>(16,787,876)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	9,638,166
Gifts and Grants Received for Other Than Capital or Endowment Purposes	6,873,172
	<b>16,511,338</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	12,499,994
Capital Grants and Gifts	414,049
Purchases of Capital Assets	(11,103,470)
Principal Paid on Capital Debt	(40,000)
Interest Paid on Capital Debt	(15,821)
	<b>1,754,752</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	43,099
Investment Income	14,172
	<b>57,271</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,535,485</b>
Cash and Cash Equivalents, Beginning of Year	6,077,810
	<b>\$ 7,613,295</b>

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2011**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (18,472,359)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,618,507
Changes in Assets and Liabilities:	
Receivables, Net	73,495
Other Assets	26,528
Accounts Payable	(79,391)
Deferred Revenue	2,500
Deposits Held for Others	(1,397)
Compensated Absences Payable	18,778
Other Postemployment Benefits	23,413
Loans to Students	2,050
	<u>2,050</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ (16,787,876)</u></u></b>

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

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Chipola College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine 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 Calhoun, Holmes, Jackson, Liberty, and Washington Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *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 activities 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 Chipola College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

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, 2011.

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 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:

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

- 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 economic resources measurement focus and 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 for State and local government entities.

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.

Significant 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.

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.

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

The statement of revenues, expenses, and changes in net assets is presented by major sources and student tuition and fees, and auxiliary enterprises revenues are reported net of 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 tuition scholarship allowance by determining the amount of “coverage” applied from financial aid and other funds determined to be subject to scholarship allowances. Under this method, the College determined amounts by identifying those student transactions where the student’s classes or bookstore charges were paid by an applicable financial aid source. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

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, and funds invested with the State Board of Administration (SBA) in the Florida PRIME investment pool. 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 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, 2011, the College reported as cash equivalents at fair value \$3,899,030 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 Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, 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 31 days as of June 30, 2011. 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. 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

**CHIPOLA COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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 – 5 years:

Asset valuations are discussed below:

- Land – Land acquired prior to June 30, 1979, is stated at fair market value based upon appraisal with subsequent additions at cost, except for land acquired by donation, which is stated at fair market value at the date of donation. The value of land by valuation method is shown in the following tabulation:

<u>Valuation Method</u>	<u>Values</u>
Appraisal Value	\$ 357,000
Fair Market Value (at Date of Donation)	96,475
Cost	<u>1,498,651</u>
<b>Total</b>	<b><u><u>\$ 1,952,126</u></u></b>

- Buildings - Buildings acquired prior to June 30, 1971, are stated at historically-based appraised values with subsequent additions at cost except for buildings acquired by donation which are stated at fair market value at the date of donation. The value of buildings by valuation method is shown in the following tabulation:

<u>Valuation Method</u>	<u>Values</u>
Historically-Based Appraisal Cost	\$ 1,818,708
Cost	48,839,363
Fair Market Value (at Date of Donation)	<u>747,570</u>
<b>Total</b>	<b><u><u>\$ 51,405,641</u></u></b>

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

**2. INVESTMENTS**

**Component Unit Investments**

Investments held by the College’s component unit, the Chipola College Foundation, Inc. (Foundation), at June 30, 2011, are reported at fair value as follows:

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

Investment Type	Fair Value	Maturities	Credit Quality Rating (1)
United States Treasury Notes	\$ 782,425	August 15, 2013 - November 15, 2020	Aaa/AAA
United States Treasury Bonds	4,742	August 15, 2040	Aaa/AAA
United States Government Agencies:			
Federal Home Loan Mortgage Corp.	77,574	November 15, 2013 - July 17, 2015	AAA/Aaa/AAA
Federal National Mortgage Association Term Note	441,489	March 15, 2012 - April 09, 2013	AAA/Aaa/AAA
Federal Home Loan Mortgage Gold Pool	49,337	April 1, 2021 - April 1, 2023	None
Federal National Mortgage Association Pool	157,464	May 1, 2024 - July 1, 2040	None
Federal Home Loan Mortgage Corp. Medium Term Note	52,337	January 17, 2014	AAA/Aaa/AAA
Corporate Bonds:			
Abbott Laboratories	72,721	April 1, 2019	AA/A1/A+
AT&T, Inc.	66,559	August 15, 2015	A-/A2/A
Bank of America	15,859	May 1, 2018	A/A2A+
Bank of America Corp. Series	66,699	June 15, 2012	None
Bank of New York	76,842	January 15, 2016	AA-/Aa2/AA-
Bank of Nova Scotia	74,440	January 22, 2015	AA-/Aa1/AA-
BB&T Corporation Senior Medium Term	69,285	April 29, 2016	A/A2/A+
Berkshire Hathaway, Inc., Del	68,609	February 11, 2015	AA+/Aa2/A+
BlackRock, Inc. Note	79,729	December 10, 2014	A+/A1
BP Capital Markets PLC	10,348	October 1, 2015	A/A2/A
Canadian Imperial Bank of Commerce	70,820	December 11, 2015	A+/Aa2/AA-
Caterpillar Financial Services Corporation	78,076	September 30, 2013	A/A2/A
Cisco System, Inc.	71,620	February 15, 2019	A+/A1
Citigroup	77,796	August 12, 2014	A/A3/A+
Coca Cola Company	11,804	November 15, 2017	A+/Aa3/A+
Conoco Phillips	82,976	February 1, 2014 - February 1, 2019	A/A1/A
Credit Suisse USA, Inc.	66,754	August 15, 2015	A+/Aa1/AA-
Deere & Company Note	70,220	October 16, 2019	A/A2
General Electric Capital Corporation	80,988	September 16, 2020 - March 15, 2032	AA+/Aa2
Goldman Sachs Group, Inc.	77,063	October 1, 2016	A/A1/A+
Hewlett Packard Corporation	63,781	March 1, 2012 - March 1, 2017	A/A2/A+
JPMorgan Chase & Co.	78,585	January 20, 2015	AA+/Aa3/AA-
Lowes COS, Inc.	74,347	October 15, 2015	A/A1/A
Medtronic, Inc.	68,689	March 15, 2015	AA-/A1
Merrill Lynch and Company	63,662	February 5, 2013	A/A2/A+
Morgan Stanley Global Notes	74,151	March 01, 2013	A/A2/A
Oracle Corporation/Ozark Holding, Inc.	85,159	July 8, 2014 - January 15, 2016	A/A1/A+
Pepsico, Inc.	82,150	November 1, 2020	A-/Aa3/A+
PNC Funding Corporation	68,884	February 8, 2015	A/A3/A+
Shell International Finance Guaranteed Note	79,330	June 28, 2015	AA/Aa1/AA
United Technologies Corporation	11,923	February 1, 2019	A/A2/A+
US Bankcorp	68,663	March 14, 2015	A+/Aa3/AA-
Verizon Communications, Inc., Note	77,615	April 1, 2016	A-/A3/A
Wachovia Corp Global Medium Term Notes	10,765	May 1, 2013	AA-/A1/AA-
Wal-Mart Stores, Inc.	80,289	February 15, 2018 - September 1, 2035	AA/Aa2/AA
Walt Disney Company	70,597	December 15, 2013	A/A2/A
Wells Fargo & Co., New Medium Sr. Note	68,751	April 15, 2015	AA-/A1/AA-
Certificates of Deposit	910,534	NA	NA
Domestic Equities	4,746,090	NA	NA
Foreign Equities	1,080,636	NA	NA
Mutual Funds	946,055	NA	NA
Land and Timber	776,875	NA	NA
<b>Total</b>	<b>\$12,442,107</b>		

Notes: (1) Rated by Standard & Poor's, Moody's Investor Service, and Fitch Ratings.  
NA Not applicable to investment type.

*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 has no written investment policy that limits exposure to decline in fair values resulting from interest rate changes.

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

*Credit Risk:* Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation has no written investment policy that limits exposure to credit risk.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation has no written investment policy for custodial credit risk; however, none of the Foundation's money market and short term investment accounts were exposed to unsecured and uncollateralized custodial credit risk.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments in a single issuer. The Foundation has no written investment policy that places limits on the amount that may be invested in any type of investment.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation holds \$1,315,062 in various foreign equities as of June 30, 2011. The foreign holdings account for approximately 10.6 percent of the Foundation's total investments. The Foundation has no investment policy that limits its investment choices as it relates to foreign equities.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for vending machine sales, and contract and grant reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the College's short-term loan program. These receivables are deemed fully collectible and therefore no allowance for uncollectible notes has been recognized.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$7,922,028 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

**CHIPOLA COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,791,876	\$ 160,250	\$	\$ 1,952,126
Construction in Progress	5,316,119	11,469,168	6,211,235	10,574,052
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 7,107,995</b>	<b>\$ 11,629,418</b>	<b>\$ 6,211,235</b>	<b>\$ 12,526,178</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 45,367,655	\$ 6,037,986	\$	\$ 51,405,641
Other Structures and Improvements	6,650,966	173,249		6,824,215
Furniture, Machinery, and Equipment	2,046,790	125,309	95,034	2,077,065
<b>Total Depreciable Capital Assets</b>	<b>54,065,411</b>	<b>6,336,544</b>	<b>95,034</b>	<b>60,306,921</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	17,513,145	1,165,106		18,678,251
Other Structures and Improvements	4,662,551	306,060		4,968,611
Furniture, Machinery, and Equipment	1,777,014	147,341	95,034	1,829,321
<b>Total Accumulated Depreciation</b>	<b>23,952,710</b>	<b>1,618,507</b>	<b>95,034</b>	<b>25,476,183</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 30,112,701</b>	<b>\$ 4,718,037</b>	<b>\$</b>	<b>\$ 34,830,738</b>

**7. DEFERRED REVENUE**

Deferred revenue represents student tuition and fees of \$96,003 received prior to fiscal year-end related to subsequent accounting periods.

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2011, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 320,000	\$	\$ 40,000	\$ 280,000	\$ 40,000
Compensated Absences Payable	1,502,621	18,778		1,521,399	200,000
Other Postemployment Benefits Payable	53,706	26,669	3,256	77,119	
<b>Total Long-Term Liabilities</b>	<b>\$ 1,876,327</b>	<b>\$ 45,447</b>	<b>\$ 43,256</b>	<b>\$ 1,878,518</b>	<b>\$ 240,000</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, 2011:

**CHIPOLA COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005-A	\$ 280,000	5	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2012	\$ 40,000	\$ 14,000	\$ 54,000
2013	45,000	12,000	57,000
2014	45,000	9,750	54,750
2015	50,000	7,500	57,500
2016	50,000	5,000	55,000
2017	50,000	2,500	52,500
<b>Total</b>	<b>\$ 280,000</b>	<b>\$ 50,750</b>	<b>\$ 330,750</b>

**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, 2011, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$1,521,399. Of this amount, \$200,000 is considered a current liability as this is expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last seven years’ payments made to employees for leave liability owed.

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

*Plan Description.* The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium for postemployment benefits. 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 for retiree coverage. Retirees are required to

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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 Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* The Board of Trustees can amend plan benefits and contribution rates. 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 2010-11 fiscal year, 50 retirees received postemployment healthcare benefits, and 40 retirees received postemployment life insurance benefits. The College provided required contributions of \$3,256 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 \$288,199.

*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 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 19,212
Amortization of Unfunded Actuarial Accrued Liability	<u>7,636</u>
<b>Annual Required Contribution</b>	26,848
Interest on Net OPEB Obligation	1,611
Adjustment to Annual Required Contribution	<u>(1,790)</u>
<b>Annual OPEB Cost (Expense)</b>	26,669
Contribution Toward the OPEB Cost	<u>(3,256)</u>
<b>Increase in Net OPEB Obligation</b>	23,413
Net OPEB Obligation, Beginning of Year	<u>53,706</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 77,119</u></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, 2011, and for the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008-09	\$ 31,866	64.4%	\$ 36,024
2009-10	26,691	33.8%	53,706
2010-11	26,669	12.2%	77,119

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*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$222,403, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$222,403 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$7,418,826 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3 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 liability as of June 30, 2011, and the College's 2010-11 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. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by 0.1 and 0.3 percent per year, to an ultimate rate of 4.5 percent after 17 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years. The remaining amortization period at June 30, 2011, was 26 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).

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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, 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 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

(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 years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$725,738, \$697,935, and \$763,465, 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

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JUNE 30, 2011**

27 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$137,083.

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.

**10. CONSTRUCTION COMMITMENTS**

The College’s major construction commitments at June 30, 2011, are as follows:

<u>Project Description</u>	<u>Total Committed</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Center for Arts Building:			
Design - Builder	\$ 11,998,160	\$ 7,110,012	\$ 4,888,148
Direct Purchase Orders	<u>4,012,550</u>	<u>2,941,240</u>	<u>1,071,310</u>
<b>Total</b>	<u><u>\$ 16,010,710</u></u>	<u><u>\$ 10,051,252</u></u>	<u><u>\$ 5,959,458</u></u>

**11. 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 \$150 million. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, health, life, and other liability coverage.

**12. 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

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**JUNE 30, 2011**

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:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 8,487,547
Gross Receipts Tax (Public Education Capital Outlay)	2,738,910
Education Enhancement Trust Fund (Lottery)	1,150,619
Bright Futures Scholarship Program	823,745
Florida Student Assistance Grants	418,076
Restricted Contracts and Grants	354,815
Motor Vehicle License Tax (Capital Outlay and Debt Service)	<u>68,000</u>
<b>Total</b>	<b><u>\$ 14,041,712</u></b>

### 13. 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	\$ 6,600,091
Public Services	202,050
Academic Support	750,672
Student Services	2,492,748
Institutional Support	2,746,406
Operation and Maintenance of Plant	3,484,559
Scholarships and Fellowships	4,676,848
Depreciation	1,618,507
Auxiliary Enterprises	<u>64,067</u>
<b>Total Operating Expenses</b>	<b><u>\$ 22,635,948</u></b>

**CHIPOLA 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	\$	\$ 299,484	\$ 299,484	0%	\$ 7,726,628	3.9%
7/1/2009	\$	\$ 222,403	\$ 222,403	0%	\$ 7,267,086	3.1%

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

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**CHIPOLA COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The July 1, 2009, unfunded actuarial liability of \$222,403 was lower than the July 1, 2007, liability of \$299,484 by approximately \$77,000. Lower participation and updated mortality reduced the actuarial accrued liability (AAL) by \$73,000. Updated claims costs and revised contributions also reduced AAL by \$66,000. The reduction due to assumption changes and claims costs was partially offset by increases due to the expected growth of liabilities over time and demographic changes of \$50,000 and an updated trend assumption of \$12,000.



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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 Chipola 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, 2011, 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. 2012-018.

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  
November 21, 2011