

COLLEGE OF CENTRAL FLORIDA

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>
Cory Pool, Chair	Marion
Ronald Ewers, Vice Chair	Marion
Sandra Balfour	Citrus
Joyce Brancato from 6-01-11	Levy
Robert Durrance	Levy
Priya Ghumman from 6-01-11 (1)	Marion
Betty Strifler to 5-31-11	Citrus
Carol Sullivan to 9-30-10 (2)	Levy
Don Taylor from 6-01-11	Citrus

Dr. Charles R. Dassance, President

- Notes: (1) Filled position that was vacant from July 1, 2010, through May 31, 2011.
- (2) Board member served beyond appointed term, position remained vacant from October 1, 2010, until May 31, 2011.

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 John Davisson, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**COLLEGE OF CENTRAL FLORIDA
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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 the College of Central Florida 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.

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 the College of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports 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. The financial statements of the Appleton Cultural Center, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College of Central Florida and of its aggregate discretely presented component units 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 the College of Central Florida'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, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, 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
March 21, 2012

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. The MD&A contains financial activities of the College for fiscal years ended June 30, 2010, and June 30, 2011, and its component units, the College of Central Florida Foundation, Inc., and The Appleton Cultural Center, Inc., for the fiscal years ended December 31, 2009, and December 31, 2010.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$98.4 million at June 30, 2011. This balance reflects a \$957 thousand, or 1 percent, increase from June 30, 2010. Liabilities decreased \$355 thousand, or 4.2 percent, totaling \$8.1 million at June 30, 2011, compared to \$8.4 million at June 30, 2010. As a result, the College's net assets increased by \$1.3 million, reaching a year-end balance of \$90.3 million.

The College's operating revenues totaled \$15.3 million for the 2010-11 fiscal year, a decrease of \$277 thousand, or 1.8 percent, from the 2009-10 fiscal year. Operating expenses totaled \$64.9 million for the 2010-11 fiscal year, an increase of \$5 million, or 8.4 percent, over the 2009-10 fiscal year due mainly to increases of \$3.6 million in scholarships and waivers and \$1.4 million in personnel services. Net nonoperating revenues totaled \$46 million, an increase of \$7 million, or 17.8 percent, due mainly to a \$5.1 million increase in grants and scholarships.

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:

- College of Central Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- College of Central Florida's Discretely Presented Component Units – Although legally separate, these component units are important because the College is financially accountable for them, as the College reports its financial activities to the State of Florida. These two organizations are:
 - College of Central Florida Foundation, Inc. (Foundation)
 - The Appleton Cultural Center, Inc. (Center)

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 College of Central Florida 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 College of Central Florida's operating results.

These two statements report College of Central Florida'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 units for the respective fiscal years ended is shown in the following table:

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

	College		Component Units	
	6-30-11	6-30-10	12-21-10	12-31-09
Assets				
Current Assets	\$ 11,893	\$ 11,199	\$ 6,995	\$ 8,592
Capital Assets, Net	80,228	80,714	21,520	21,681
Other Noncurrent Assets	6,230	5,481	48,940	42,197
Total Assets	<u>98,351</u>	<u>97,394</u>	<u>77,455</u>	<u>72,470</u>
Liabilities				
Current Liabilities	2,651	3,077	938	961
Noncurrent Liabilities	5,438	5,367	3,657	3,719
Total Liabilities	<u>8,089</u>	<u>8,444</u>	<u>4,595</u>	<u>4,680</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	77,683	77,988	18,780	18,806
Restricted	5,576	5,084	47,187	42,636
Unrestricted	7,003	5,878	6,893	6,348
Total Net Assets	<u>\$ 90,262</u>	<u>\$ 88,950</u>	<u>\$ 72,860</u>	<u>\$ 67,790</u>
Increase in Net Assets	<u>\$ 1,312</u> 1.5%		<u>\$ 5,070</u> 7.5%	

The College's increase in net assets was primarily from an increase of \$1.7 million in cash and cash equivalents.

The component units' increase in net assets of \$5 million was primarily due to investment earnings of \$5.3 million. Investments are reported at fair value and were impacted by the market conditions which continued to recover during the component units' 2010 fiscal year. These investment earnings were also a primary cause of the increase in the component units' other nonoperating revenues.

Revenues and expenses of the College and its component units for the respective fiscal years ended are shown in the following table:

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

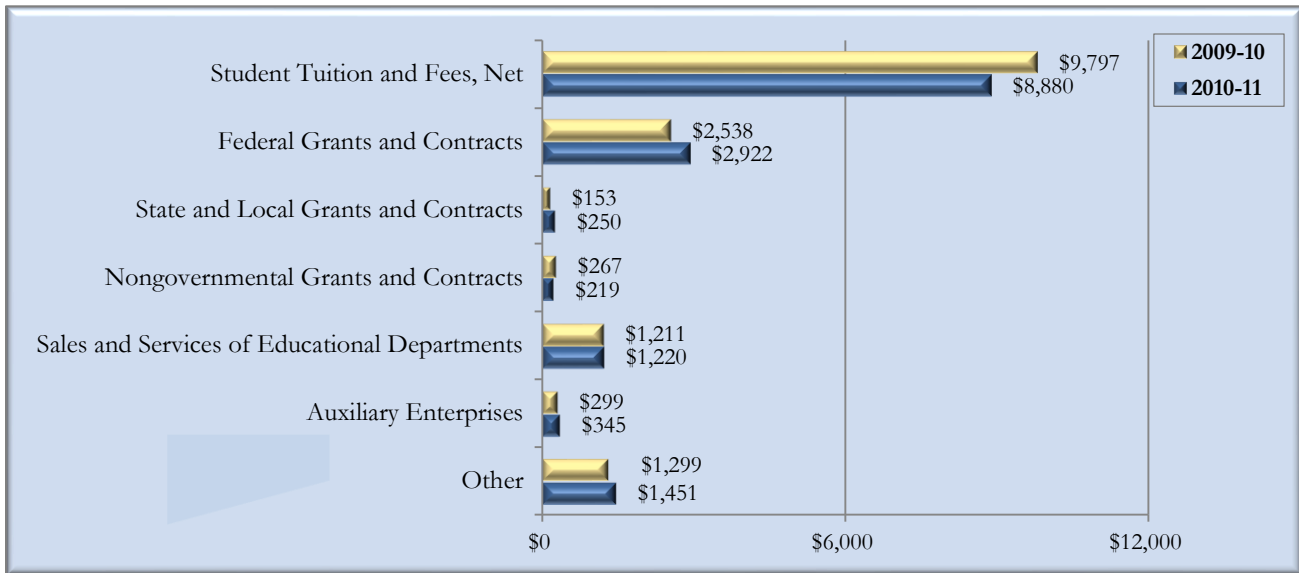
	<u>College</u>		<u>Component Units</u>	
	<u>6-30-11</u>	<u>6-30-10</u>	<u>12-30-10</u>	<u>12-31-09</u>
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 8,880	\$ 9,797	\$	\$
Federal Grants and Contracts	2,922	2,538		
State and Local Grants and Contracts	250	153		
Nongovernmental Grants and Contracts	219	267	1,041	3,310
Sales and Services of Educational Departments	1,220	1,211		
Auxiliary Enterprises	345	299		
Other Operating Revenues	1,451	1,299	1,294	1,356
Total Operating Revenues	<u>15,287</u>	<u>15,564</u>	<u>2,335</u>	<u>4,666</u>
Less, Operating Expenses	<u>64,896</u>	<u>59,866</u>	<u>3,435</u>	<u>3,261</u>
Operating Income (Loss)	<u>(49,609)</u>	<u>(44,302)</u>	<u>(1,100)</u>	<u>1,405</u>
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	20,090	18,705		
Other Nonoperating Revenues	26,013	20,482	5,706	7,193
Interest on Capital Asset-Related Debt	(140)	(175)	(133)	(141)
Net Nonoperating Revenues	<u>45,963</u>	<u>39,012</u>	<u>5,573</u>	<u>7,052</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(3,646)	(5,290)	4,473	8,457
State Capital Appropriations	2,294	3,425		
Capital Grants, Contracts, Gifts, and Fees	2,664	1,548		
Additions to Permanent Endowments			597	546
Increase (Decrease) in Net Assets	<u>1,312</u>	<u>(317)</u>	<u>5,070</u>	<u>9,003</u>
Net Assets, Beginning of Year	<u>88,950</u>	<u>89,267</u>	<u>67,790</u>	<u>58,787</u>
Net Assets, End of Year	<u>\$ 90,262</u>	<u>\$ 88,950</u>	<u>\$ 72,860</u>	<u>\$ 67,790</u>

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 revenue changes were the result of the following factors:

- Tuition and fees increased \$1.1 million, or 5.7 percent, compared to the 2009-10 fiscal year. This increase, however, was offset by a larger increase in scholarship allowances of \$2 million or 22.5 percent, resulting in a decrease to tuition and fees, net of scholarship allowances, of \$917 thousand from the previous fiscal year. Scholarship allowances increased due to an increase in students who received student financial aid.
- Federal grants and contracts increased \$384 thousand, or 15.1 percent, compared to the 2009-10 fiscal year due primarily to the increase of new and existing grants and contracts from the Federal government.
- State and local grants increased \$97 thousand, or 63.4 percent, compared to the 2009-10 fiscal year due primarily to the increase of new and existing grants and contracts from the State.

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.

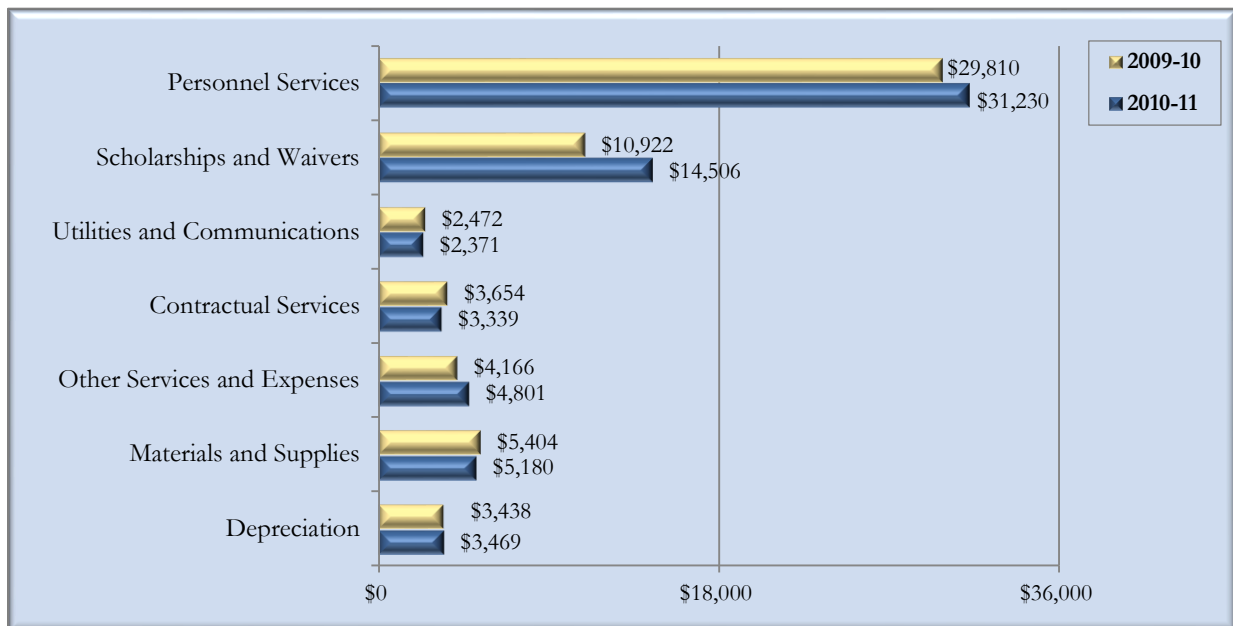
Operating expenses for the College and its component units for the respective fiscal years ended are presented in the following table:

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

	College		Component Units	
	6-30-11	6-30-10	12-31-10	12-31-09
Operating Expenses				
Personnel Services	\$ 31,230	\$ 29,810	\$	\$
Scholarships and Waivers	14,506	10,922	689	798
Utilities and Communications	2,371	2,472		
Contractual Services	3,339	3,654	403	410
Other Services and Expenses	4,801	4,166	1,998	1,701
Materials and Supplies	5,180	5,404	170	177
Depreciation	3,469	3,438	175	175
Total Operating Expenses	\$ 64,896	\$ 59,866	\$ 3,435	\$ 3,261

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 expense changes were the result of the following factors:

- Personnel services, which are the primary operating expenses for the College, increased \$1.4 million, or 4.8 percent, from the 2009-10 fiscal year due mainly to a 3 percent salary increase and an increase in instructional compensation for additional adjuncts and teaching overloads. There was also an increase in costs for employee healthcare benefits of 11 percent.
- Scholarships and waivers increased by \$3.6 million or 32.8 percent, due primarily to the increase in student financial aid for the 2010-11 school year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital 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 the 2009-10 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 20,090	\$ 18,705
Grants and Scholarships	25,153	20,037
Investment Income	203	280
Other Nonoperating Revenues	657	165
Interest on Capital Asset-Related Debt	<u>(140)</u>	<u>(175)</u>
Net Nonoperating Revenues	<u>\$ 45,963</u>	<u>\$ 39,012</u>

Changes in the College's nonoperating revenues and expenses were the result of the following factors:

- State noncapital appropriations increased by \$1.4 million from the 2009-10 fiscal year. The increase is primarily due to an increase in nonrecurring dollars from the State noncapital appropriations.
- Grants and scholarships increased by \$5.1 million, or 25.5 percent, from the 2009-10 fiscal year due to an increase in Federal Pell grants for students and receipt of State appropriated Federal American Recovery and Reinvestment Act (ARRA) funding.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State 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)

	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$ 2,294	\$ 3,425
Capital Grants, Contracts, Gifts, and Fees	<u>2,664</u>	<u>1,548</u>
Total	<u>\$ 4,958</u>	<u>\$ 4,973</u>

Changes in the College's revenues, expenses, gains, or losses were the result of the following factors:

- State capital appropriations decreased by \$1.1 million from the 2009-10 fiscal year. This decrease is due to a reduction in Public Education Capital Outlay allocations received during the 2010-11 fiscal year.
- Capital grants, contracts, gifts, and fees increased by \$1.1 million from the 2009-10 fiscal year due primarily to receipt of a \$450 thousand cash match from a private institution, and \$720 thousand in renovation funds from the Florida College System Risk Management Consortium to repair the Aquatic Center on the Ocala campus.

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)**

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (46,734)	\$ (42,846)
Noncapital Financing Activities	45,914	38,927
Capital and Related Financing Activities	2,291	1,231
Investing Activities	222	266
Net Increase (Decrease) in Cash and Cash Equivalents	1,693	(2,422)
Cash and Cash Equivalents, Beginning of Year	11,643	14,065
Cash and Cash Equivalents, End of Year	\$ 13,336	\$ 11,643

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, cash in demand accounts, and cash in Florida PRIME. Major sources of funds came from grants and scholarships (\$25.6 million), State noncapital appropriations (\$20.1 million), net student tuition and fees (\$8.1 million), and State capital appropriations (\$2.9 million). Major uses of funds were for payments to employees (\$25.1 million), payments for employee benefits (\$6.1 million), payments for scholarships (\$14.5 million) and payments to suppliers (\$13.3 million).

Changes in cash and cash equivalents were the result of the following factors:

- The College's cash and cash equivalents increased by 1.7 million, or 14.5 percent, from 2009-10 fiscal year, primarily due to an increase in cash received from State appropriated ARRA funding and an increase in grants and scholarships received.
- Cash outflows from operating activities increased \$3.9 million primarily due to increases in payments for scholarships (\$3.6 million).
- Noncapital financing activities increased \$7 million, or 17.9 percent, from the 2009-10 fiscal year due to an increase in grants and scholarships of \$5.6 million from the 2009-10 fiscal year. The increase in grants and scholarships can be attributed to the increase in student financial aid awarded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had \$128.2 million in capital assets, less accumulated depreciation of \$48 million, for net capital assets of \$80.2 million. Accumulated depreciation showed a net increase of \$3.2 million during the current fiscal year. 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	\$ 14,588	\$ 13,969
Buildings	94,492	94,424
Other Structures and Improvements	9,651	8,327
Furniture, Machinery, and Equipment	6,635	6,140
Assets Under Capital Lease	2,604	2,604
Construction in Progress	208	
Total	<u>128,178</u>	<u>125,464</u>
Less, Accumulated Depreciation:		
Buildings	35,047	33,027
Other Structures and Improvements	6,319	5,824
Furniture, Machinery, and Equipment	5,542	4,987
Assets Under Capital Lease	1,042	912
Total Accumulated Depreciation	<u>47,950</u>	<u>44,750</u>
Capital Assets, Net	<u>\$ 80,228</u>	<u>\$ 80,714</u>

More detailed information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.5 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2011, and June 30, 2010:

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

	<u>2011</u>	<u>2010</u>
SBE Capital Outlay Bonds	\$ 445	\$ 530
Capital Lease	2,100	2,196
Total	<u>\$ 2,545</u>	<u>\$ 2,726</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, there were no bond sales and bond principal payments totaled \$85 thousand and capital lease principal payments totaled \$96 thousand. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

College of Central Florida’s economic condition is closely tied to that of the State of Florida. 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 and financial statements and notes thereto, or requests for additional financial information should be addressed to Dr. James Harvey, Senior Vice President, College of Central Florida, 3001 S. W. College Road, Ocala, Florida 34473-4415.

BASIC FINANCIAL STATEMENTS

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

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,086,063	\$ 5,507,720
Restricted Cash and Cash Equivalents	335,624	
Restricted investments		137,452
Accounts Receivable, Net	1,459,164	
Due from Other Governmental Agencies	1,714,814	
Due from Component Units	106,251	
Inventories	35,853	
Prepaid Expenses	145,034	116,792
Other Assets	10,000	1,232,946
Total Current Assets	11,892,803	6,994,910
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,914,133	1,524,667
Investments	198,106	
Restricted Investments	35,259	600,000
Endowment Investments		45,516,222
Land and Property Held for Investment		1,066,771
Due from Component Units	1,083,336	
Depreciable Capital Assets, Net	65,432,261	4,229,040
Nondepreciable Capital Assets	14,795,678	17,290,940
Other Assets		232,586
Total Noncurrent Assets	86,458,773	70,460,226
TOTAL ASSETS	\$ 98,351,576	\$ 77,455,136
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 666,033	\$ 122,620
Salary and Payroll Taxes Payable	525,363	
Retainage Payable	13,835	
Due to Other Governmental Agencies	266,389	
Due to College		312,738
Deferred Revenue	177,168	45,210
Deposits Held for Others	637,835	56,800
Line of Credit Payable		9,027
Long-Term Liabilities - Current Portion:		
Bonds Payable	90,000	350,000
Capital Lease Payable	107,824	
Compensated Absences Payable	167,030	
Other Long-Term Liabilities		42,198
Total Current Liabilities	2,651,477	938,593

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

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 355,000	\$ 2,390,000
Loan Payable to College		1,062,987
Capital Lease Payable	1,992,030	
Compensated Absences Payable	2,984,476	
Other Postemployment Benefits Payable	106,316	
Other Long-Term Liabilities		203,816
	5,437,822	3,656,803
Total Noncurrent Liabilities		
	5,437,822	3,656,803
TOTAL LIABILITIES	8,089,299	4,595,396
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	77,683,085	18,779,980
Restricted:		
Nonexpendable:		
Endowment		42,064,079
Expendable:		
Grants and Loans	962,938	5,123,036
Scholarships	127,365	
Capital Projects	4,467,768	
Debt Service	18,028	
Unrestricted	7,003,093	6,892,645
	90,262,277	72,859,740
Total Net Assets		
	90,262,277	72,859,740
TOTAL LIABILITIES AND NET ASSETS	\$ 98,351,576	\$ 77,455,136

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

COLLEGE OF CENTRAL FLORIDA
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

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,739,189	\$ 8,879,532	\$
Federal Grants and Contracts	2,921,786	
State and Local Grants and Contracts	249,790	
Nongovernmental Grants and Contracts	219,331	1,041,088
Sales and Services of Educational Departments	1,220,847	
Auxiliary Enterprises	345,084	
Other Operating Revenues	1,451,064	1,293,784
Total Operating Revenues	15,287,434	2,334,872
EXPENSES		
Operating Expenses:		
Personnel Services	31,230,208	
Scholarships and Waivers	14,506,302	689,557
Utilities and Communications	2,370,668	
Contractual Services	3,339,075	402,592
Other Services and Expenses	4,801,165	1,997,890
Materials and Supplies	5,180,157	169,642
Depreciation	3,468,848	174,991
Total Operating Expenses	64,896,423	3,434,672
Operating Loss	(49,608,989)	(1,099,800)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	20,089,705	
Grants and Scholarships	25,152,666	
Investment Income	203,410	5,346,323
Other Nonoperating Revenues	656,919	360,093
Interest on Capital Asset-Related Debt	(140,194)	(133,440)
Net Nonoperating Revenues	45,962,506	5,572,976
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,646,483)	4,473,176
State Capital Appropriations	2,294,376	
Capital Grants, Contracts, Gifts, and Fees	2,663,980	
Additions to Permanent Endowments		596,922
Total Other Revenues	4,958,356	596,922
Increase in Net Assets	1,311,873	5,070,098
Net Assets, Beginning of Year	88,950,404	67,789,642
Net Assets, End of Year	\$ 90,262,277	\$ 72,859,740

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 8,145,790
Grants and Contracts	3,470,360
Payments to Suppliers	(13,265,916)
Payments for Utilities and Communications	(2,370,668)
Payments to Employees	(25,136,719)
Payments for Employee Benefits	(6,075,157)
Payments for Scholarships	(14,506,302)
Auxiliary Enterprises	345,084
Sales and Service of Educational Departments	1,220,847
Other Receipts	1,438,247
	(46,734,434)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	20,089,705
Grants and Scholarships	25,645,997
Direct Loan Program Receipts	18,565,286
Direct Loan Program Disbursements	(18,565,286)
Other Nonoperating Receipts	177,986
	45,913,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,914,376
Capital Grants and Gifts	2,653,980
Proceeds from Sale of Capital Assets	2,806
Purchases of Capital Assets	(2,958,466)
Principal Paid on Capital Debt and Leases	(181,562)
Interest Paid on Capital Debt and Leases	(140,194)
	2,290,940
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(38,120)
Investment Income	260,771
	222,651
Net Increase in Cash and Cash Equivalents	1,692,845
Cash and Cash Equivalents, Beginning of Year	11,642,975
Cash and Cash Equivalents, End of Year	\$ 13,335,820

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (49,608,989)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,468,848
Changes in Assets and Liabilities:	
Accounts Receivables, Net	120,760
Due from Other Governmental Agencies	(475,723)
Inventories	7,253
Prepaid Expenses	(59,573)
Accounts Payable	(306,697)
Salaries and Payroll Taxes Payable	(483,038)
Due to Other Governmental Agencies	264,000
Deferred Revenue	50,842
Deposits Held for Others	50,512
Compensated Absences Payable	229,114
Other Postemployment Benefits Payable	8,257
NET CASH USED BY OPERATING ACTIVITIES	\$ (46,734,434)

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$57,361
A donated capital asset was recognized as a capital gift on the statement of revenues, expenses, and changes in net assets, but is not a cash transaction for the statement of cash flows.	\$10,000

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

**COLLEGE OF CENTRAL FLORIDA
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 the College of Central Florida, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven 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 Marion, Citrus, and Levy 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 Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The College of Central Florida Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The Appleton Cultural Center, Inc. (Center): This organization is organized and operated exclusively for the benefit of the Appleton Museum of Art, which is owned and operated by the District Board of Trustees.

The Foundation and the Center are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The Foundation's and the Center's financial data reported on the accompanying financial statements was derived from their respective audited financial statements for the fiscal year ended December 31, 2010.

The College's component units are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. They are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The College's component units receive, hold, invest, and administer property, and make 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

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

the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- 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 units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Foundation follows GASB standards of accounting and financial reporting and the Center follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows GASB 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

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

noncapital 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.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by tracking actual recorded amounts of tuition and fees paid by scholarship revenues in each scholarship account. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

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 - College. 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 Florida PRIME 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 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 \$5,880,177 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 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.

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

Cash and Cash Equivalents – Component Units. The amount reported for the component units as cash and cash equivalents consists of cash, money market accounts, and highly liquid fixed income investments with original maturities of three months or less. Cash deposits in excess of Federal Depositors Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not insured by the FDIC. The total amount of uninsured cash balances held at financial institutions or brokerage accounts at December 31, 2010, was \$5,428,070.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease. 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 – 10 or 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 3 to 7 years
- Assets Under Capital Lease – 20 years

The Foundation's land, buildings, and equipment are stated at cost except for donated property, which is stated at fair market value or replacement cost on the date of donation, and is net of accumulated depreciation of \$1,908,838. The Foundation depreciates buildings and equipment using the straight-line method over estimated lives ranging from 5 years for most equipment to 40 years for buildings.

The Center capitalizes all property and equipment with a cost of greater than \$500 and an estimated useful life exceeding one year. Property and equipment is depreciated from 3 years to 7 years using the straight-line method. As of December 31, 2010, all property and equipment, totaling \$4,592, is fully depreciated.

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

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

2. INVESTMENTS

College

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. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College’s investments at June 30, 2011, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 215,337
State Board of Administration Debt Service Accounts	<u>18,028</u>
Total College Investments	<u>\$ 233,365</u>

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, 2011, the College reported investments at fair value of \$215,337 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 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is

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

based on legal final maturity dates for Fund B as of June 30, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments at fair value totaling \$18,028 at June 30, 2011, in the State Board of Administration Debt Service Accounts. These College investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units

College of Central Florida Foundation, Inc. Investments include endowed investments of \$45,516,222 in United States Government securities, and corporate debt securities and equities, reported at fair value based on quoted market prices, and real estate holdings of \$1,066,771 reported at fair market value at the date of gift. In addition, nonendowed assets held for various temporarily restricted and unrestricted purposes totaling \$5,000,106 are invested separately and managed in accordance with the policies adopted by the Foundation's Board of Directors.

Endowed investments are managed by bank trust departments and investment brokerage houses. The Foundation has established an investment policy for its endowed investments and has investment managers who are required to oversee the management of the portfolios pursuant to its investment policy. The Foundation has a separate investment policy pertaining to the Appleton Museum Family Endowment and the Edith Appleton Endowment, which are managed and governed by a trust company with oversight by the Appleton family.

The following information is presented for the Appleton Museum Family Endowment portfolio, the Edith Appleton Endowment portfolio, and other endowed investments:

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

Investment	Weighted-Average Maturity or Duration (Years)	Credit Quality Rating	Fair Value
Appleton Museum Family Endowment:			
U.S. Treasury Notes	7.8	Aaa	\$ 310,316
Government Agency Bonds	7.8	Aaa	269,993
Corporate Bonds	7.8	Aa	80,458
Corporate Bonds	7.8	A	55,926
Corporate Bonds Fund	7.8	Unrated	339,555
Equities	(1)	(1)	1,772,068
Hedge Fund	(1)	(1)	83,828
Global Real Estate	(1)	(1)	23,713
Commodities	(1)	(1)	236,446
Accruals	(1)	(1)	7,497
Edith Marie Appleton Endowment:			
U.S. Treasury Notes	9.5	Aaa	202,069
Government Agency Bonds	9.5	Aaa	222,041
Corporate Bonds	9.5	A	353,171
Corporate Bond Fund	9.5	Unrated	347,437
Equities	(1)	(1)	8,565,236
Hedge Fund	(1)	(1)	502,938
Global Real Estate	(1)	(1)	49,402
Commodities	(1)	(1)	502,109
Accruals	(1)	(1)	11,816
Other Endowed Investments:			
U.S. Treasury Notes	5.96	AAA	4,071,510
Government Agency Bonds	0.73	AAA	1,399,187
Corporate Bonds	5.68	AA	582,090
Corporate Bonds	2.51	A	2,462,185
Equities	(1)	(1)	21,584,789
Structured Note	2.48	AA	1,452,900
Real Estate	(1)	(1)	27,542
Total Endowment Investments			<u>\$45,516,222</u>

Note: (1) Disclosure of maturity/duration or credit quality is not required.

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted-average-maturity method is used to determine the interest rate risk for the Appleton Museum Family Endowment and the Edith Appleton Endowment, and the duration for the other endowed investments.

Credit Risk: Credit risk relates to the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings for debt securities are shown in the above schedule. The Foundation's investment policy requires the overall portfolio of fixed income securities to have an overall weighted-average credit quality rating of "A" or better, and no more than 15 percent of the total portfolio investments may be rated below investment grade "Baa". Investment ratings are from Moody's Investor Services, Inc.

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, 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.

- Appleton Museum Family Endowment and Edith Appleton Endowment – All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.
- Other Endowed Investments – All investments are held in counterparty accounts as custodian for the Foundation and managed by South Street Advisors.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy does not allow for an investment in any one issuer to exceed seven percent of the portfolio. There is no concentration of credit risk with the Appleton Museum Family Endowment, the Edith Appleton Endowment, or other endowed investment portfolios.

Foreign Currency Risk: The Foundation investment risk exposure is as follows:

- Appleton Museum Family Endowment and Edith Appleton Endowment – Both portfolios include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.
- Other Endowed Investments – The investments managed by South Street Advisors are not exposed to this type of risk.

The Appleton Cultural Center, Inc. Endowment investments are carried at market value and consist of mutual funds invested in United States Government securities totaling \$737,452 at December 31, 2010.

3. ACCOUNTS RECEIVABLE

Accounts receivable primarily consists of student fee deferrals and are reported net of a \$99,456 allowance for doubtful accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$686,212 insurance proceeds due from the Florida College System Risk Management Consortium, \$553,842 due from the Federal Government for contracts and grants expenditure reimbursements, and \$365,000 of Public Education Capital Outlay allocations due from the State for construction and remodeling, renovation, maintenance, and repair of College facilities.

5. DUE FROM COMPONENT UNITS

The College's financial statements are reported for the fiscal year ended June 30, 2011, and the financial statements of the component units are reported for the fiscal year ended December 31, 2010. Accordingly, on the statement of net assets, the amount (current) due from component units of \$106,251 reported by the College does not agree with the amount (current) due to College reported by the component units of \$312,738. Similarly, on the statement of net assets the amount (noncurrent) due from component units

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

reported by the College of \$1,083,336, which represents advances provided to the Foundation by the College pursuant to a limited pledge agreement as explained in note 8, does not agree with the amount (noncurrent) loan payable to College reported by the Foundation of \$1,062,987.

6. INVENTORIES

Inventories consist primarily of items for resale by the Appleton Museum gift shop and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation.

7. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 13,969,280	\$ 618,870	\$	\$ 14,588,150
Construction in Progress		207,528		207,528
Total Nondepreciable Capital Assets	\$ 13,969,280	\$ 826,398	\$	\$ 14,795,678
Depreciable Capital Assets:				
Buildings	\$ 94,423,974	\$ 161,644	\$ 94,002	\$ 94,491,616
Other Structures and Improvements	8,326,782	1,323,833		9,650,615
Furniture, Machinery, and Equipment	6,139,639	581,327	85,622	6,635,344
Assets Under Capital Lease	2,604,386			2,604,386
Total Depreciable Capital Assets	111,494,781	2,066,804	179,624	113,381,961
Less, Accumulated Depreciation:				
Buildings	33,026,791	2,202,947	183,101	35,046,637
Other Structures and Improvements	5,823,793	495,637		6,319,430
Furniture, Machinery, and Equipment	4,987,457	640,044	85,622	5,541,879
Assets Under Capital Lease	911,534	130,220		1,041,754
Total Accumulated Depreciation	44,749,575	3,468,848	268,723	47,949,700
Total Depreciable Capital Assets, Net	\$ 66,745,206	\$ (1,402,044)	\$ (89,099)	\$ 65,432,261

Capital assets activity of the Foundation and the Center (component units) for the fiscal year ended December 31, 2010, is shown below:

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Description	Beginning Balance	Additions (1)	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 459,640	\$	\$	\$ 459,640
Works of Art and Historical Treasures	16,831,300			16,831,300
Total Nondepreciable Capital Assets	\$ 17,290,940	\$	\$	\$ 17,290,940
Depreciable Capital Assets:				
Buildings	\$ 6,063,065	\$	\$	\$ 6,063,065
Furniture, Machinery, and Equipment	79,406			79,406
Total Depreciable Capital Assets	6,142,471			6,142,471
Less, Accumulated Depreciation:				
Buildings	1,687,961	158,580		1,846,541
Furniture, Machinery, and Equipment	64,281	2,609		66,890
Total Accumulated Depreciation	1,752,242	161,189		1,913,431
Total Depreciable Capital Assets, Net	\$ 4,390,229	\$(161,189)	\$	\$ 4,229,040

Note: (1) Depreciation expense reported on the statement of revenues, expenses, and changes in net assets includes \$13,802 in amortized bond issue costs related to construction of a student housing facility and an office building.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, include bonds payable, capital lease 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	\$ 530,000	\$	\$ 85,000	\$ 445,000	\$ 90,000
Capital Lease Payable	2,196,416		96,562	2,099,854	107,824
Compensated Absences Payable	2,922,392	254,863	25,749	3,151,506	167,030
Other Postemployment Benefits Payable	98,059	21,566	13,309	106,316	
Total Long-Term Liabilities	\$5,746,867	\$276,429	\$ 220,620	\$5,802,676	\$364,854

Long-term liabilities of the Foundation (component unit) consist of industrial revenue bonds payable, loan payable to College, and other long-term liabilities. The long-term liabilities activity for the Foundation for the fiscal year ended December 31, 2010, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Industrial Revenue Bonds:					
Student Housing Bonds	\$ 1,230,000	\$	\$ 245,000	\$ 985,000	\$ 260,000
Enterprise Center Revenue Bonds	1,645,000	155,000	45,000	1,755,000	90,000
Loan Payable to College	935,126	127,861		1,062,987	
Other Long-Term Liabilities	255,637		9,623	246,014	42,198
Total Long-Term Liabilities	\$4,065,763	\$282,861	\$ 299,623	\$4,049,001	\$ 392,198

Bonds Payable - College. 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:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2002B	\$ 220,000	4.000 - 5.375	2015
Series 2005A	225,000	5.0	2017
Total	\$ 445,000		

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	\$ 90,000	\$ 22,319	\$ 112,319
2013	95,000	18,369	113,369
2014	105,000	13,394	118,394
2015	90,000	7,919	97,919
2016	45,000	3,250	48,250
2017	20,000	1,000	21,000
Total	\$ 445,000	\$ 66,251	\$ 511,251

Bonds Payable - Foundation. Bonds Payable of the Foundation (component unit) at December 31, 2010, consist of the following:

- Industrial Revenue Bonds, Series 1994. In 1994, the Foundation issued \$3.5 million of tax-exempt Industrial Revenue Bonds through the City of Ocala, Florida, to construct a student housing facility. In May 1999, the outstanding principal amount of \$3,025,000 was refinanced at an interest rate of 4.76 percent. Principal and interest payments are due semi-annually. The bonds are secured by a

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first mortgage on real property; first lien on personal property; and assignment of leases, rents, and profits. Annual requirements to amortize the Industrial Revenue Bonds, Series 1994, are as follows:

Fiscal Year Ending December 31	Industrial Revenue Bonds, Series 1994		
	Principal	Interest	Total
2011	\$ 260,000	\$ 43,792	\$ 303,792
2012	275,000	31,297	306,297
2013	290,000	18,088	308,088
2014	160,000	3,808	163,808
Total	\$ 985,000	\$ 96,985	\$ 1,081,985

- Enterprise Center Revenue Bonds, Series 2003A1. In May 2003, the Foundation issued \$2 million tax-exempt Industrial Development Revenue Bonds, Series 2003A1, through the Florida Development Finance Corporation to construct a 25,400 square foot office building known as the Enterprise Center, for lease on the Ocala Campus of the College. Annual requirements to amortize the Enterprise Center Revenue Bonds, Series 2003A1, are as follow:

Fiscal Year Ending December 31	Enterprise Center Revenue Bonds, Series 2003A1		
	Principal	Interest	Total
2011	\$ 90,000	\$ 70,744	\$ 160,744
2012	95,000	66,988	161,988
2113	100,000	62,929	162,929
2014	105,000	58,790	163,790
2015	115,000	54,247	169,247
2016-2020	770,000	185,000	955,000
2021-2023	480,000	26,417	506,417
Total	\$ 1,755,000	\$ 525,115	\$ 2,280,115

On November 1, 2006, the Foundation entered into a derivative instrument, an interest rate collar with a notational amount of \$1,835,000, with a local bank and a counterparty whereby the local bank agreed to pay any interest owed by the Foundation in excess of 4.5 percent annually on the Enterprise Center Revenue Bonds, Series 2003A1. On June 1, 2010, the Foundation exercised its right to redeem the bonds, terminating the letter of credit and the derivative instrument tied to those bonds. Simultaneously, the bonds were repurchased by a local community bank for \$1,800,000 secured by a first mortgage on real property, first lien on personal property, and assignment of rents, contracts and leases. The Enterprise interest rate is fixed at 4.125 percent annually for five years and may be adjusted for each subsequent five-year period through June 2, 2023.

Loan Payable to College - Foundation. On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (component unit) and a national banking association to facilitate the Foundation’s financing of the student housing facility. The agreement provides, in part, that the College shall pay to the Foundation the amount necessary to meet the Foundation’s obligation in the event the Foundation has insufficient moneys. However, such payments shall be limited to the College’s available resources in the auxillary and scholarship funds up to \$450,000 in any fiscal year. The agreement requires the College to accrue net auxiliary revenue, as defined in the agreement, of \$150,000, and to maintain this

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balance until debt coverage requirements for this project have been met. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized, noninterest bearing advance for amounts provided by the College to assist with unfunded debt service and operating costs associated with the student housing facility. The payable to the College was increased \$127,861 for additional payments made by the College on behalf of the Foundation for the student housing facility.

Capital Lease Payable. The College acquired energy saving equipment in the amount of \$2,604,386 under a capital lease agreement. The stated interest rate on the lease is 5.249 percent, subject to adjustment to 180 basis points over the 10-year United States Treasury note rate, to a maximum of 7 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 216,000
2013	222,000
2014	228,000
2015	232,956
2016	233,911
2017-2021	1,169,558
2022-2024	584,779
Total Minimum Payments	2,887,204
Less, Amount Representing Interest	787,350
Present Value of Minimum Payments	\$ 2,099,854

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 noncapital 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 Florida Retirement System and FICA contributions, totaled \$3,151,506. Of this amount, \$167,030 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability was based on the actual payout for sick and annual leave for the last six years divided by the previous fiscal year’s total compensated absences balance. The percentages were then averaged, and the resulting percentage was applied to the June 30, 2011, compensated absences balance to determine the current portion.

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

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Plan Description. The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies 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 Plan and the Plan is 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 the Board of Trustees can amend the 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, 63 retirees received postemployment healthcare benefits, and 47 retirees received postemployment life insurance benefits. The College provided required contributions of \$13,309 toward the annual OPEB cost, comprised of benefit payments made of behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$356,413.

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:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 16,115
Amortization of Unfunded Actuarial Accrued Liability	5,778
Annual Required Contribution	21,893
Interest on Net OPEB Obligation	2,942
Adjustment to Annual Required Contribution	(3,269)
Annual OPEB Cost (Expense)	21,566
Contribution Toward the OPEB Cost	(13,309)
Increase in Net OPEB Obligation	8,257
Net OPEB Obligation, Beginning of Year	98,059
Net OPEB Obligation, End of Year	\$ 106,316

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The College’s annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation as of June 30, 2011, and for the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 35,115	8.5%	\$ 64,241
2009-10	20,760	62.9%	98,059
2010-11	21,566	61.7%	106,316

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$168,293, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$168,293, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$19,666,374 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0.86 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, 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 7.8 percent for the 2010-11 fiscal year, reduced by decrements to an ultimate rate of 4.5 percent after 16 years. The unfunded actuarial accrued liability is being amortized as a

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level percentage of 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).

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.

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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 \$1,352,456, \$1,466,453, and \$1,684,118, 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 122 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$456,756.

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

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

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

There were 22 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$157,325.

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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 \$150 million. Insurance coverage obtained through the Consortium included employee group health and hospitalization, life, dental and long-term disability coverage, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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.

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:

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<u>Source</u>	<u>Amount</u>
Florida College System Program Fund	\$ 17,489,110
Education Enhancement Trust Fund (Lottery)	2,504,180
Gross Receipts Tax (Public Education Capital Outlay)	2,043,976
Bright Futures Scholarship Program	1,831,962
Florida Student Assistance Grants	1,107,813
Restricted Contracts and Grants	343,764
Motor Vehicle License Tax (Capital Outlay and Debt Service)	250,400
Other State Sources	96,415
Total	<u><u>\$ 25,667,620</u></u>

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	\$ 19,890,674
Public Services	489,338
Academic Support	3,296,533
Student Services	4,013,979
Institutional Support	11,356,267
Operation and Maintenance of Plant	7,500,847
Scholarships and Fellowships	14,350,857
Depreciation	3,468,848
Auxiliary Enterprises	529,080
Total Operating Expenses	<u><u>\$ 64,896,423</u></u>

13. COMPONENT UNITS

The College has two component units as discussed in note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

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	College of Central Florida Foundation, Inc. 12-31-10	The Appleton Cultural Center, Inc. 12-31-10	Total
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 6,777,808	\$ 217,102	\$ 6,994,910
Capital Assets, Net	21,519,980		21,519,980
Other Noncurrent Assets	48,340,246	600,000	48,940,246
Total Assets	76,638,034	817,102	77,455,136
Liabilities:			
Current Liabilities	935,093	3,500	938,593
Noncurrent Liabilities	3,656,803		3,656,803
Total Liabilities	4,591,896	3,500	4,595,396
Net Assets:			
Invested in Capital Assets, Net of Related Debt	18,779,980		18,779,980
Restricted	46,373,513	813,602	47,187,115
Unrestricted	6,892,645		6,892,645
Total Net Assets	\$ 72,046,138	\$ 813,602	\$ 72,859,740
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 2,334,872	\$	\$ 2,334,872
Operating Expenses	(3,431,172)	(3,500)	(3,434,672)
Operating Loss	(1,096,300)	(3,500)	(1,099,800)
Net Nonoperating Revenues	5,553,167	19,809	5,572,976
Other Revenues	596,922		596,922
Increase in Net Assets	5,053,789	16,309	5,070,098
Net Assets, Beginning of Year	66,992,349	797,293	67,789,642
Net Assets, End of Year	\$ 72,046,138	\$ 813,602	\$ 72,859,740

14. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

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Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 8,086,063
Accounts Receivable, Net	1,458,234
Due from Other Governmental Agencies	34,671
Due from Component Units	22,301
Inventories	11,536
Prepaid Expenses	138,531
Other Assets	10,000

Total Current Assets 9,761,336

Noncurrent Assets:

Due from Component Units	1,083,336
Investments	198,106

Total Noncurrent Assets 1,281,442

TOTAL ASSETS \$ 11,042,778

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 620,884
Salary and Payroll Taxes Payable	131,153
Deferred Revenue	25,598
Deposits Held for Others	4,228
Compensated Absences Payable	167,030

Total Current Liabilities 948,893

Noncurrent Liabilities:

Compensated Absences Payable	2,984,476
Other Postemployment Benefits Payable	106,316

Total Noncurrent Liabilities 3,090,792

TOTAL LIABILITIES 4,039,685

TOTAL NET ASSETS 7,003,093

TOTAL LIABILITIES AND NET ASSETS \$ 11,042,778

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**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Assets**

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$10,739,189	\$ 6,887,511
Sales and Services of Educational Departments	1,220,847
Auxiliary Enterprises	345,084
Other Operating Revenues	<u>1,257,572</u>
Total Operating Revenues	<u>9,711,014</u>

EXPENSES

Operating Expenses:

Personnel Services	27,849,235
Scholarships and Waivers	263,565
Utilities and Communications	2,045,125
Contractual Services	2,649,883
Other Services and Expenses	4,069,985
Materials and Supplies	<u>2,129,222</u>
Total Operating Expenses	<u>39,007,015</u>

Operating Loss (29,296,001)

NONOPERATING REVENUES

State Noncapital Appropriations	18,585,804
Grants and Scholarships	1,643,988
Investment Income	152,514
Other Nonoperating Revenues	<u>163,588</u>
Total Nonoperating Revenues	<u>20,545,894</u>

**Loss Before Other Revenues,
Expenses, Gains, or Losses** (8,750,107)

State Capital Appropriations	3,756
Transfers from Other Funds, Net	<u>9,871,924</u>

Increase in Net Assets 1,125,573
Net Assets, Beginning of Year 5,877,520

Net Assets, End of Year \$ 7,003,093

**COLLEGE OF CENTRAL FLORIDA
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	\$	\$ 199,834	\$ 199,834	0%	\$ 17,347,862	1.15%
7/1/2009	\$	\$ 168,293	\$ 168,293	0%	\$ 17,874,831	0.94%

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

**COLLEGE OF CENTRAL FLORIDA
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 \$168,293 was significantly lower than the July 1, 2007, liability of \$199,834 as a result of revised participation assumptions, updated claims costs, required retiree contributions, and revised withdrawal and mortality assumptions. These reductions were partially offset by increases due to the expected growth of liabilities over time, demographic changes, and an updated medical trend assumption.



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 College of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units as described in our report on the College's financial statements. For the College of Central Florida Foundation, Inc., 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. The financial statements of the Appleton Cultural Center, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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*.

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 21, 2012