

# BREVARD COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2012



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

**BOARD OF TRUSTEES AND PRESIDENT**

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Myra Igo Haley  
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Dr. James H. Richey, Interim President  
from October 17, 2011, to February 5, 2012;  
President from February 6, 2012

Dr. James A. Drake, President  
to October 16, 2011

- Notes: (1) Vice Chair position was vacant from July 1, 2011, through August 14, 2011.  
(2) Served beyond end of term, until reappointed on November 8, 2011.  
(3) Position was vacant from July 1, 2011, to November 7, 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 James H. Cole, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2012-146.

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, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2013-018.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Brevard Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Brevard Community College and of its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Brevard Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.** The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, 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  
October 1, 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, 2012, 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 activity of the College for the fiscal years ended June 30, 2012, and June 30, 2011, and its component unit the Brevard Community College Foundation, Inc., for the fiscal years ended June 30, 2012, and June 30, 2011.

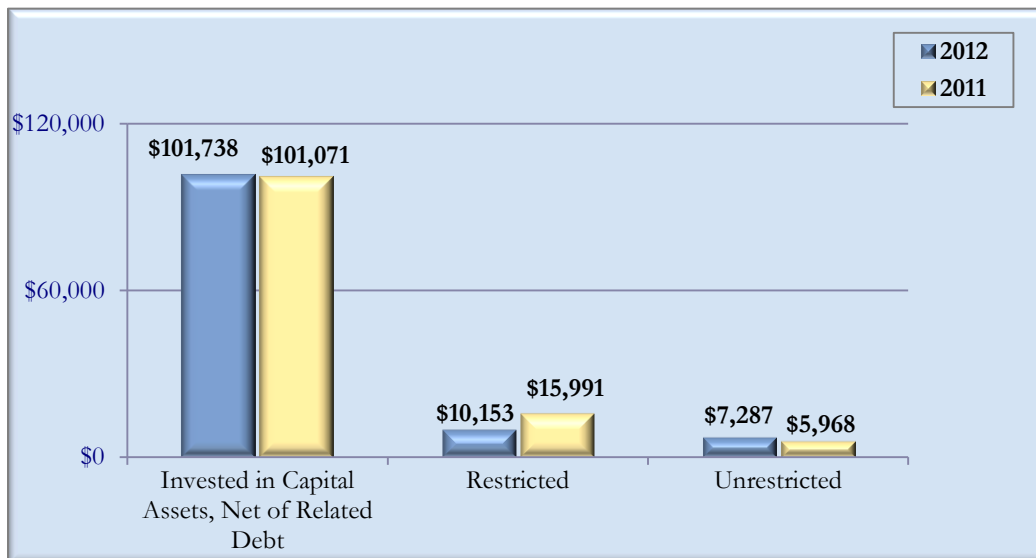
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$136.8 million at June 30, 2012. This balance reflects a \$2.6 million, or 1.8 percent, decrease from the 2010-11 fiscal year, resulting primarily from a decrease in State appropriations. While assets declined, liabilities increased by \$1.3 million, or 8 percent, totaling \$17.6 million at June 30, 2012, compared to \$16.3 million at June 30, 2011, primarily due to a new capital lease for technology equipment and increased liabilities for compensated absences. As a result, the College’s net assets decreased by \$3.9 million, resulting in a year-end balance of \$119.2 million.

The College’s operating revenues totaled \$28.8 million for the 2011-12 fiscal year, representing a 7.2 percent increase as compared to the 2010-11 fiscal year. This increase was primarily the result of WBCC TV broadcast operations revenue and increased student tuition and fees. Operating expenses totaled \$106.7 million for the 2011-12 fiscal year, representing a decrease of 2.5 percent as compared to the 2010-11 fiscal year.

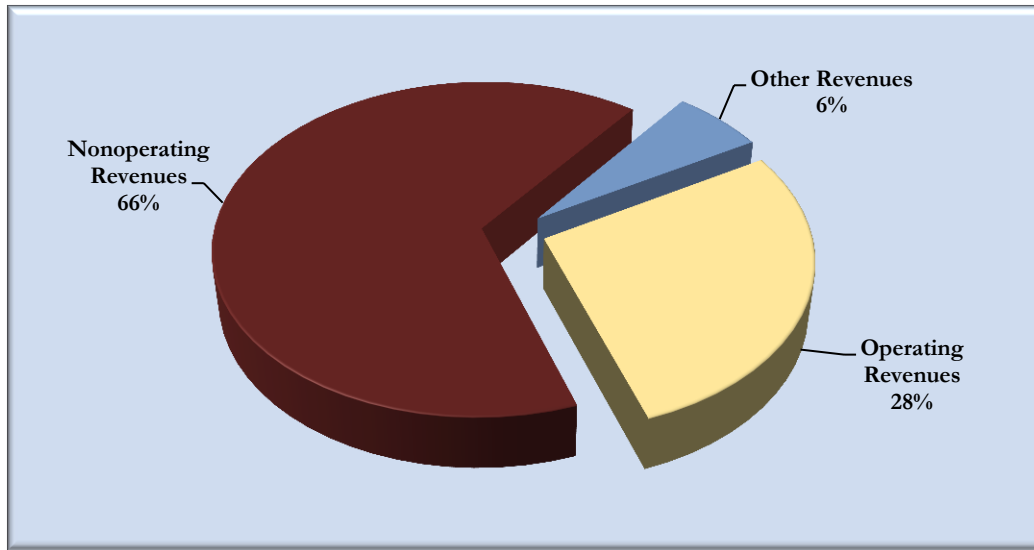
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**Net Assets: College  
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

**Total Revenues: College**



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- Brevard Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Brevard Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2012, and June 30, 2011, is shown in the following table:

	<b>Condensed Statement of Net Assets at (In Thousands)</b>			
	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
<b>Assets</b>				
Current Assets	\$ 25,873	\$ 28,282	\$ 854	\$ 1,967
Capital Assets, Net	104,655	102,994	195	197
Other Noncurrent Assets	<u>6,222</u>	<u>8,034</u>	<u>14,749</u>	<u>13,930</u>
<b>Total Assets</b>	<u>136,750</u>	<u>139,310</u>	<u>15,798</u>	<u>16,094</u>
<b>Liabilities</b>				
Current Liabilities	5,849	6,425	18	41
Noncurrent Liabilities	<u>11,723</u>	<u>9,855</u>		
<b>Total Liabilities</b>	<u>17,572</u>	<u>16,280</u>	<u>18</u>	<u>41</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	101,738	101,071	195	197
Restricted	10,153	15,991	14,163	14,280
Unrestricted	<u>7,287</u>	<u>5,968</u>	<u>1,422</u>	<u>1,576</u>
<b>Total Net Assets</b>	<u>\$ 119,178</u>	<u>\$ 123,030</u>	<u>\$ 15,780</u>	<u>\$ 16,053</u>
<b>Decrease in Net Assets</b>	<u>\$ (3,852)</u> -3.1%		<u>\$ (273)</u> -1.7%	

Noncapital assets decreased by \$4.2 million mostly due to a \$2.3 million decrease in restricted cash and cash equivalents, and a \$1.6 million decrease in amounts due from other governmental agencies at June 30, 2012, as a result of the reduction in funding for construction projects in the 2011-12 fiscal year.

Net capital assets increased by \$1.7 million due mainly to completion of various construction projects and capitalization of several projects in progress.

Liabilities increased by \$1.3 million primarily because the College entered into a capital lease arrangement for improvements to its technology infrastructure.

Restricted net assets decreased by \$5.8 million because major capital projects expenses exceeded the Public Education Capital Outlay (PECO) revenue for the 2011-12 fiscal year.

Revenues and expenses of the College and its component unit for the 2011-12 and 2010-11 fiscal years are shown in the following table:

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

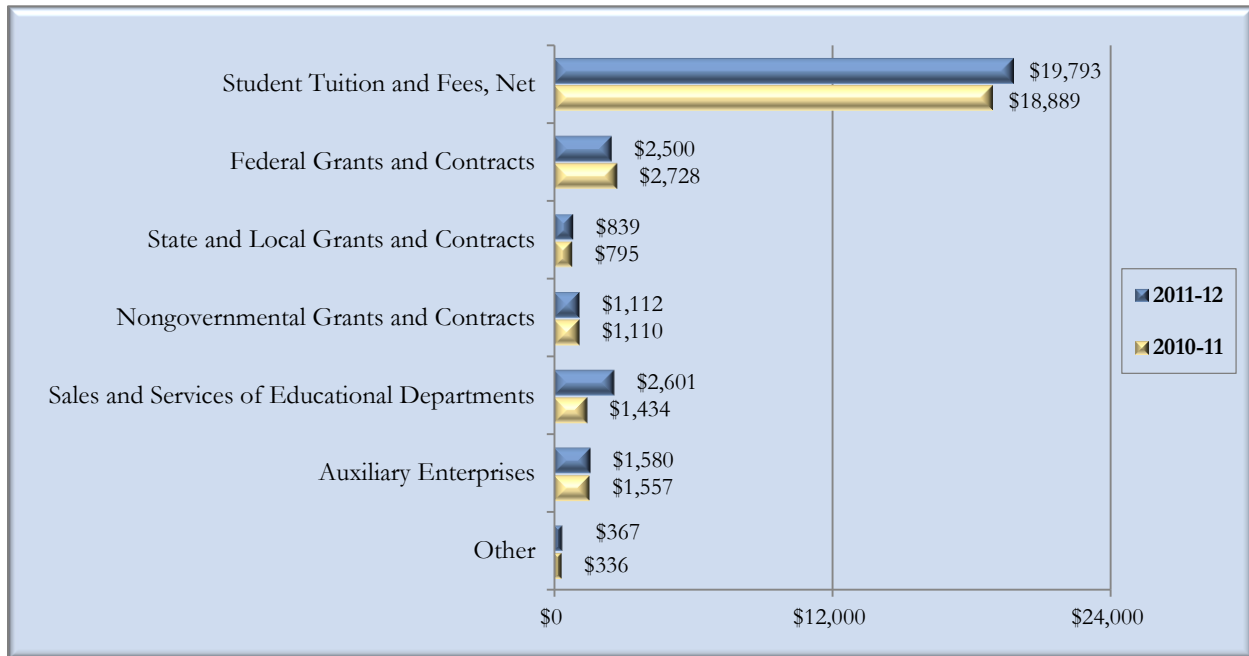
	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 19,793	\$ 18,889	\$	\$
Federal Grants and Contracts	2,500	2,728		
State and Local Grants and Contracts	839	795		
Nongovernmental Grants and Contracts	1,112	1,110		
Sales and Services of Educational Departments	2,601	1,434		
Auxiliary Enterprises	1,580	1,557		
Other Operating Revenues	367	336	87	85
<b>Total Operating Revenues</b>	<b>28,792</b>	<b>26,849</b>	<b>87</b>	<b>85</b>
Less, Operating Expenses	106,724	109,468	1,323	1,242
<b>Operating Loss</b>	<b>(77,932)</b>	<b>(82,619)</b>	<b>(1,236)</b>	<b>(1,157)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	36,424	37,594		
Other Nonoperating Revenues	31,355	35,106	896	3,097
Nonoperating Expenses	(136)	(3,831)		
<b>Net Nonoperating Revenues</b>	<b>67,643</b>	<b>68,869</b>	<b>896</b>	<b>3,097</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(10,289)	(13,750)	(340)	1,940
State Capital Appropriations	2,483	7,232		
Capital Grants, Contracts, Gifts, and Fees	3,954	3,751		
Additions to Permanent Endowments			67	68
<b>Increase (Decrease) in Net Assets</b>	<b>(3,852)</b>	<b>(2,767)</b>	<b>(273)</b>	<b>2,008</b>
Net Assets, Beginning of Year	123,030	125,797	16,053	14,045
<b>Net Assets, End of Year</b>	<b>\$ 119,178</b>	<b>\$ 123,030</b>	<b>\$ 15,780</b>	<b>\$ 16,053</b>

### Operating Revenues

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

The following chart presents the College's operating revenues for the 2011-12 and 2010-11 fiscal years:

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



Total operating revenues increased by \$1.9 million, or 7.2 percent, primarily due to an increase in student tuition and fees, net of scholarship allowances, and WBCC TV operations.

**Operating Expenses**

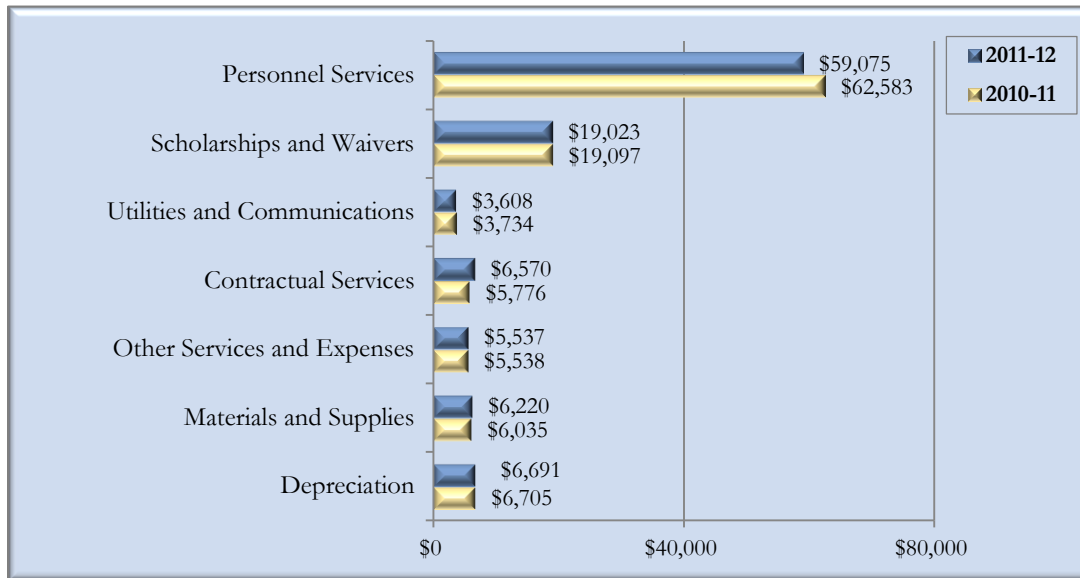
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

Operating expenses for the College and its component unit for the 2011-12 and 2010-11 fiscal years are presented in the following table:

	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
<b>Operating Expenses</b>				
Personnel Services	\$ 59,075	\$ 62,583	\$ 15	\$ 35
Scholarships and Waivers	19,023	19,097	277	238
Utilities and Communications	3,608	3,734	1	1
Contractual Services	6,570	5,776	713	710
Other Services and Expenses	5,537	5,538	233	236
Materials and Supplies	6,220	6,035	82	20
Depreciation	6,691	6,705	2	2
<b>Total Operating Expenses</b>	<b>\$ 106,724</b>	<b>\$ 109,468</b>	<b>\$ 1,323</b>	<b>\$ 1,242</b>

The following chart presents the College’s operating expenses for the 2011-12 and 2010-11 fiscal years:

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



Operating expenses for the College decreased \$2.7 million, or 2.5 percent, compared to the prior fiscal year as a result of the following factors:

- Personnel services expenses decreased \$3.5 million due to a reduction in required employer retirement contributions for college employees and reorganization in certain areas of the College.
- Contractual services expenses increased by \$0.8 million because of programming costs associated with WBCC TV.

**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 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Noncapital Appropriations	\$ 36,424	\$ 37,594
Federal and State Student Financial Aid	31,113	31,122
Gifts and Grants	51	3,790
Investment Income	53	64
Other Nonoperating Revenues	97	16
Net Realized Gain on Investments	41	115
Interest on Capital Asset-Related Debt	(133)	(137)
Other Nonoperating Expenses	(3)	(3,695)
<b>Net Nonoperating Revenues</b>	<b>\$ 67,643</b>	<b>\$ 68,869</b>

Net nonoperating revenues decreased by \$1.2 million, or 1.8 percent, primarily due to the termination of \$3.1 million in Federal American Recovery and Reinvestment Act (ARRA) funding and a decrease in State noncapital

appropriations of \$1.2 million. These revenue reductions were partially offset by a decrease in other nonoperating expenses due to the \$3.2 million loss from the donation of the Historic Cocoa Village Playhouse to the City of Cocoa in the 2010-11 fiscal year, a one-time event.

### Other Revenues, Expenses, Gains, or Losses

This category is mainly 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 2011-12 and 2010-11 fiscal years:

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

	<u>2011-12</u>	<u>2010-11</u>
State Capital Appropriations	\$ 2,483	\$ 7,232
Capital Grants, Contracts, Gifts, and Fees	<u>3,954</u>	<u>3,751</u>
<b>Total</b>	<b><u>\$ 6,437</u></b>	<b><u>\$ 10,983</u></b>

Other revenues decreased by \$4.5 million, or 41.4 percent, mainly because of a decrease in PECO appropriations for construction and renovation in the 2011-12 fiscal year.

### 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 2011-12 and 2010-11 fiscal years is presented in the following table:

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

	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (70,688)	\$ (75,702)
Noncapital Financing Activities	66,077	72,228
Capital and Related Financing Activities	2,053	5,983
Investing Activities	<u>115</u>	<u>238</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,443)</b>	<b>2,747</b>
Cash and Cash Equivalents, Beginning of Year	<u>26,375</u>	<u>23,628</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 23,932</u></b>	<b><u>\$ 26,375</u></b>

Major sources of funds came from State noncapital appropriations (\$36.4 million), Federal and State student financial aid (\$29.4 million), net student tuition and fees (\$20.2 million), and State capital appropriations (\$5 million). Major uses of funds were for payments to employees (\$48.7 million) and to providers of goods and services (\$18.3 million).

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2012, the College had \$213.4 million in capital assets, less accumulated depreciation of \$108.8 million, for net capital assets of \$104.6 million. Depreciation charges for the current fiscal year totaled \$6.7 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 6,810	\$ 6,810
Construction in Progress	3,482	891
Buildings	152,488	149,380
Other Structures and Improvements	30,833	26,001
Furniture, Machinery, and Equipment	17,426	17,297
Assets Under Capital Leases	2,394	5,100
<b>Total</b>	<u>213,433</u>	<u>205,479</u>
Less, Accumulated Depreciation:		
Buildings	69,968	66,165
Other Structures and Improvements	23,590	17,291
Furniture, Machinery, and Equipment	14,820	14,305
Assets Under Capital Leases	400	4,724
<b>Total Accumulated Depreciation</b>	<u>108,778</u>	<u>102,485</u>
<b>Capital Assets, Net</b>	<u>\$ 104,655</u>	<u>\$ 102,994</u>

The College has \$1.3 million in major construction commitments at June 30, 2012. The commitments are for projects that include renovation of the Carver Administration Building 2 on the Cocoa Campus, and renovation to the Library/Science Building on the Palm Bay Campus. In addition, planning is underway for the construction of the new public safety institute. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College's capital assets is presented in the notes to financial statements.

### DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

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

	<u>2012</u>	<u>2011</u>
SBE Capital Outlay Bonds	\$ 940	\$ 1,195
Capital Leases	1,977	728
<b>Total</b>	<u>\$ 2,917</u>	<u>\$ 1,923</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2011-12 fiscal year, the SBE issued \$53.8 million of Capital Outlay Refunding Bonds, Series 2011-A. Proceeds from the College's portion of the bonds, \$0.6 million, were used to refund \$0.6 million outstanding of SBE Capital Outlay Bonds, Series

2002-B. During the 2011-12 fiscal year, the College entered into a capital lease arrangement totaling \$2.1 million for improvements to technology infrastructure. Debt repayments during the 2011-12 fiscal year totaled \$1.7 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Brevard Community College's economic condition is closely tied to that of the State of Florida. The College received a significant increase in State support for the 2012-13 fiscal year to support program enhancement and the new Public Safety Institute. In response to the increase in State appropriations, the Board of Trustees elected to continue 2011-12 fiscal year tuition rates into the 2012-13 fiscal year. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates may be necessary to maintain its present level of services.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Brevard Community College, 1519 Clearlake Road, Cocoa, Florida 32922.

## BASIC FINANCIAL STATEMENTS

### BREVARD COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2012

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,164,712	\$ 782,521
Investments		57,374
Accounts Receivable, Net	2,174,280	10,000
Notes Receivable, Net	12,936	
Due from Other Governmental Agencies	5,284,692	
Inventories	234,445	
Prepaid Expenses	502	2,998
Deposits - Other	1,505	712
<b>Total Current Assets</b>	<b>25,873,072</b>	<b>853,605</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,767,428	
Investments	431,633	14,748,696
Restricted Investments	22,461	
Depreciable Capital Assets, Net	94,363,120	20,437
Nondepreciable Capital Assets	10,292,221	174,984
<b>Total Noncurrent Assets</b>	<b>110,876,863</b>	<b>14,944,117</b>
<b>TOTAL ASSETS</b>	<b>\$ 136,749,935</b>	<b>\$ 15,797,722</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,967,605	\$ 18,074
Salary and Payroll Taxes Payable	2,257,123	
Retainage Payable	100,817	
Deferred Revenue	18,253	
Estimated Claims Payable	163,601	
Deposits Held for Others	641,645	
Long-Term Liabilities - Current Portion:		
Bonds Payable	245,000	
Capital Leases Payable	442,035	
Compensated Absences Payable	12,763	
<b>Total Current Liabilities</b>	<b>5,848,842</b>	<b>18,074</b>
Noncurrent Liabilities:		
Bonds Payable	695,000	
Capital Leases Payable	1,534,809	
Special Termination Benefits Payable	472,835	
Compensated Absences Payable	8,748,862	
Other Postemployment Benefits Payable	271,928	
<b>Total Noncurrent Liabilities</b>	<b>11,723,434</b>	
<b>TOTAL LIABILITIES</b>	<b>17,572,276</b>	<b>18,074</b>

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
June 30, 2012**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 101,738,497	\$ 195,421
Restricted:		
Nonexpendable:		
Endowment		9,930,850
Expendable:		
Grants and Loans	1,215,873	1,497,703
Scholarships	415	2,733,355
Capital Projects	8,913,861	
Debt Service	22,461	
Unrestricted	<u>7,286,552</u>	<u>1,422,319</u>
<b>Total Net Assets</b>	<u>119,177,659</u>	<u>15,779,648</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 136,749,935</u>	<u>\$ 15,797,722</u>

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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$13,270,588	\$ 19,792,723	\$
Federal Grants and Contracts	2,499,613	
State and Local Grants and Contracts	839,465	
Nongovernmental Grants and Contracts	1,112,074	
Sales and Services of Educational Departments	2,600,786	
Auxiliary Enterprises	1,579,721	
Other Operating Revenues	367,176	86,508
<b>Total Operating Revenues</b>	<b>28,791,558</b>	<b>86,508</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	59,074,787	15,419
Scholarships and Waivers	19,022,801	277,474
Utilities and Communications	3,608,131	959
Contractual Services	6,570,494	712,504
Other Services and Expenses	5,537,338	232,511
Materials and Supplies	6,220,343	81,779
Depreciation	6,690,560	1,961
<b>Total Operating Expenses</b>	<b>106,724,454</b>	<b>1,322,607</b>
<b>Operating Loss</b>	<b>(77,932,896)</b>	<b>(1,236,099)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	36,423,795	
Federal and State Student Financial Aid	31,112,745	
Gifts and Grants	51,324	617,659
Investment Income	52,576	267,604
Other Nonoperating Revenues	97,621	10,865
Net Realized Gain on Investments	41,250	
Interest on Capital Asset-Related Debt	(132,647)	
Other Nonoperating Expenses	(3,500)	
<b>Net Nonoperating Revenues</b>	<b>67,643,164</b>	<b>896,128</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(10,289,732)</b>	<b>(339,971)</b>
State Capital Appropriations	2,483,036	
Capital Grants, Contracts, Gifts, and Fees	3,953,898	
Additions to Endowments		66,562
<b>Total Other Revenues</b>	<b>6,436,934</b>	<b>66,562</b>
<b>Decrease in Net Assets</b>	<b>(3,852,798)</b>	<b>(273,409)</b>
Net Assets, Beginning of Year	123,030,457	16,053,057
<b>Net Assets, End of Year</b>	<b>\$ 119,177,659</b>	<b>\$ 15,779,648</b>

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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 20,211,582
Grants and Contracts	4,728,447
Payments to Suppliers	(18,313,524)
Payments for Utilities and Communications	(3,634,095)
Payments to Employees	(48,706,848)
Payments for Employee Benefits	(10,049,189)
Payments for Scholarships	(19,469,407)
Auxiliary Enterprises	1,579,721
Sales and Service of Educational Departments	2,597,778
Other Receipts	367,176
	<b>(70,688,359)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	36,423,795
Federal and State Student Financial Aid	29,438,346
Federal Direct Loan Program Receipts	19,626,040
Federal Direct Loan Program Disbursements	(19,347,751)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	51,324
Other Nonoperating Disbursements	(114,844)
	<b>66,076,910</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	5,015,176
Capital Grants and Gifts	3,841,590
Proceeds from Sale of Refunding of Bonds	586,375
Proceeds from Sale of Capital Assets	98,015
Purchases of Capital Assets	(5,661,768)
Principal Paid on Capital Debt and Leases	(1,672,282)
Interest Paid on Capital Debt and Leases	(154,022)
	<b>2,053,084</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	104,804
Purchase of Investments	(22,461)
Investment Income	32,999
	<b>115,342</b>
<b>Net Cash Provided by Investing Activities</b>	<b>115,342</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,443,023)</b>
Cash and Cash Equivalents, Beginning of Year	26,375,163
	<b>\$ 23,932,140</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 23,932,140</b>

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (77,932,896)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,690,560
Changes in Assets and Liabilities:	
Receivables, Net	602,044
Inventories	2,235
Other Assets	1,274
Accounts Payable	(515,285)
Deferred Revenue	(111,532)
Special Termination Benefits Payable	122,929
Compensated Absences Payable	394,272
Other Postemployment Benefits Payable	58,040
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (70,688,359)</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 3,500

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

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Brevard Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2012.

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

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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless 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 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

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and other short-term money market investments. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in other short-term money market accounts to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2012, the College reported as cash equivalents at fair value \$14,673,559 of moneys held in the Funds for Institutions (FFI) Government Fund. The FFI Government Fund is a money market mutual fund, managed by an investment advisor that is subject to all of the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended. The FFI Government Fund carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 44 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the FFI Government Fund to interest rate changes.

At June 30, 2012, the College reported as cash equivalents \$4,961,654 held in an insured savings account program fully insured by the Federal Deposit Insurance Corporation.

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

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
  - Special Use Industrial Buildings – 20 years
  - Modular Building – 10 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 to 10 years
- Assets Under Capital Leases – 5 to 10 years

Land, buildings, and equipment of the College's component unit, the Brevard Community College Foundation, Inc., are stated at cost except for donated property which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$98,206. The College's component unit depreciates buildings and equipment using the straight-line method of double-declining balance over estimated useful lives ranging from 5 to 39 years.

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

## 2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) 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.

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The College's investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 431,633
State Board of Administration Debt Service Accounts	<u>22,461</u>
<b>Total College Investments</b>	<b><u>\$ 454,094</u></b>

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

SBA Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and 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 on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2012, the College reported investments at fair value of \$431,633 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 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. 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 totaling \$22,461 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's 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 Unit Investments**

Investments held by the College's component unit (Foundation) at June 30, 2012, are reported at fair value and based on quoted market prices, as follows:

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

Investment Type	Investment Maturities (In Years)	
	Fair Value	Less Than 1
Debt Obligations:		
Corporate Bonds	\$ 20,264	\$ 20,264
<b>Total Investment in Debt Obligations</b>	<b>20,264</b>	<b>\$ 20,264</b>
Other Investments:		
Equity Securities	6,667,162	
Mutual Funds	6,820,394	
Alternate Investments	1,240,876	
SBA Fund B	57,374	
<b>Total Other Investments</b>	<b>14,785,806</b>	
<b>Total Component Unit Investments</b>	<b>\$ 14,806,070</b>	

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

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a formal policy that addresses interest rate risk.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits investments to securities with a credit rating of "A" or better at the time of purchase. Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Corporate bonds held by the Foundation at June 30, 2012, were rated as follows by Standard & Poor's:

	Fair Value	Rating
Corporate Bonds	\$ 20,264	BBB+

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

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Foundation's investment policy does not contain requirements that would limit exposure to custodial credit risk for investments. The Foundation's alternative investments are not covered by Securities Investor Protection Corporation insurance, are uncollateralized, and held by the Foundation's broker-dealer (counterparty); therefore the balance of \$1,240,876 is subject to custodial credit risk. The Foundation's remaining investments are covered by SIPC insurance.

**BREVARD COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments and various student services provided by the College (\$2,475,392); uncollected commissions for the College's television station, bookstore and child care services (\$194,904); and contract and grant reimbursements due from third parties (\$15,005). These receivables are reported net of a \$511,021 allowance for doubtful accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of Public Education Capital Outlay allocations due from the State for construction of College facilities (\$3,146,432) and amounts due for Federal student financial assistance programs (\$1,869,349).

**5. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 6,810,020	\$	\$	\$ 6,810,020
Construction in Progress	891,168	2,999,625	408,592	3,482,201
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 7,701,188</b>	<b>\$ 2,999,625</b>	<b>\$ 408,592</b>	<b>\$ 10,292,221</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 149,380,349	\$ 3,109,495	\$ 1,450	\$ 152,488,394
Other Structures and Improvements	26,001,289	4,831,720		30,833,009
Furniture, Machinery, and Equipment	17,296,626	529,120	399,764	17,425,982
Assets Under Capital Lease	5,099,573	2,125,636	4,831,720	2,393,489
<b>Total Depreciable Capital Assets</b>	<b>197,777,837</b>	<b>10,595,971</b>	<b>5,232,934</b>	<b>203,140,874</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	66,165,293	3,803,895	1,450	69,967,738
Other Structures and Improvements	17,290,437	6,299,776		23,590,213
Furniture, Machinery, and Equipment	14,305,118	910,889	396,264	14,819,743
Assets Under Capital Lease	4,724,060	507,720	4,831,720	400,060
<b>Total Accumulated Depreciation</b>	<b>102,484,908</b>	<b>11,522,280 (1)</b>	<b>5,229,434</b>	<b>108,777,754</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 95,292,929</b>	<b>\$ (926,309)</b>	<b>\$ 3,500</b>	<b>\$ 94,363,120</b>

Note: (1) Additions to accumulated depreciation does not agree to depreciation expense on the statement of revenues, expenses, and changes in net assets as \$4,831,720 of accumulated depreciation was transferred from assets under capital lease to other structures and improvements.

**6. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2012, include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

**BREVARD COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,195,000	\$ 540,000	\$ 795,000	\$ 940,000	\$ 245,000
Capital Leases Payable	728,490	2,125,636	877,282	1,976,844	442,035
Special Termination Benefits Payable	349,906	137,181	14,252	472,835	
Compensated Absences Payable	8,367,353	678,255	283,983	8,761,625	12,763
Other Postemployment Benefits Payable	213,888	94,791	36,751	271,928	
<b>Total Long-Term Liabilities</b>	<b>\$ 10,854,637</b>	<b>\$ 3,575,863</b>	<b>\$ 2,007,268</b>	<b>\$ 12,423,232</b>	<b>\$ 699,798</b>

**Bonds Payable.** The State Board of Education (SBE) 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 SBE and the State Board of Administration (SBA) 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, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>SBE Capital Outlay Bonds:</b>			
Series 2005-A	\$ 145,000	5.00	2016
Series 2005-B	255,000	5.00	2018
Series 2011-A	540,000	4.00 - 5.00	2015
<b>Total</b>	<b>\$ 940,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2013	\$ 245,000	\$ 44,969	\$ 289,969
2014	260,000	34,750	294,750
2015	260,000	21,750	281,750
2016	80,000	8,750	88,750
2017	45,000	4,750	49,750
2018	50,000	2,500	52,500
<b>Total</b>	<b>\$ 940,000</b>	<b>\$ 117,469</b>	<b>\$ 1,057,469</b>

On January 5, 2012, the SBE issued \$53,785,000 of Capital Outlay Refunding Bonds, Series 2011-A. The College’s portion of this bond issue, \$540,000, was used to refund the remaining outstanding SBE Capital Outlay Bonds, Series 2002-B.

**BREVARD COMMUNITY COLLEGE  
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JUNE 30, 2012**

**Capital Leases Payable.** Telecommunications equipment totaling \$267,853 and information technology equipment totaling \$2,125,636 are being acquired under capital lease agreements. The stated interest rates for the two leases are 5.061 percent and 3.5 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 504,609
2014	467,555
2015	467,555
2016	467,555
2017	<u>233,777</u>
<b>Total Minimum Payments</b>	2,141,051
Less, Amount Representing Interest	<u>164,207</u>
<b>Present Value of Minimum Payments</b>	<b><u>\$ 1,976,844</u></b>

**Special Termination Benefits Payable.** The College Board of Trustees has adopted an Executive Benefit Plan for full Vice Presidents or above who are employed at executive salary grade levels II and III. The Plan included provisions for deferred compensation to be paid to the employee upon separation of employment through retirement, termination, or death. Accrued benefits for the thirteen participants at June 30, 2012, totaled \$472,835, and are included in special termination benefits payable.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State 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, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$8,761,625. The current portion of the compensated absences liability, \$12,763, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program or those known to be retiring during the next fiscal year.

**Other Postemployment Benefits Payable**

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

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

**BREVARD COMMUNITY COLLEGE**  
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**JUNE 30, 2012**

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 coverage as soon as they are eligible. Neither the College nor the Consortium issues an annual stand-alone report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 112 retirees received postemployment healthcare benefits, and 30 retirees received postemployment life insurance benefits. The College provided required contributions of \$36,751 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$248,078.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 63,716
Amortization of Unfunded Actuarial Accrued Liability	<u>29,649</u>
<b>Annual Required Contribution</b>	93,365
Interest on Net OPEB Obligation	8,556
Adjustment to Annual Required Contribution	<u>(7,130)</u>
<b>Annual OPEB Cost (Expense)</b>	94,791
Contribution Toward the OPEB Cost	<u>(36,751)</u>
<b>Increase in Net OPEB Obligation</b>	58,040
Net OPEB Obligation, Beginning of Year	<u>213,888</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 271,928</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years, were as follows:

**BREVARD COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 81,289	50.1%	\$ 198,102
2010-11	81,310	80.6%	213,888
2011-12	94,791	38.8%	271,928

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$889,457, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$889,457 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$35,859,896 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.5 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, 2011, used the projected unit credit actuarial method to estimate the unfunded actuarial liability (UAAL) as of June 30, 2012, and the College's 2011-12 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 4 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 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years on an open basis.

**BREVARD COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**7. RETIREMENT PROGRAMS**

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan 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 the Investment Plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 Investment Plan.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$3,176,929, \$3,622,454, and \$2,548,958, respectively, which were equal to the required contributions for each fiscal year.

There were 208 College participants in the Investment Plan during the 2011-12 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$694,187, which was equal to the required contribution for the 2011-12 fiscal year.

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

**8. 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 to February 29, 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, health and hospitalization, and other liability

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Life, vision, and long-term disability coverage are provided through purchased commercial insurance.

**9. 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	\$ 34,077,378
Public Service	2,657,844
Academic Support	4,277,119
Student Services	9,763,711
Institutional Support	16,092,075
Operation and Maintenance of Plant	14,142,966
Scholarships and Waivers	19,022,801
Depreciation	<u>6,690,560</u>
<b>Total Operating Expenses</b>	<b><u>\$ 106,724,454</u></b>

**10. RELATED ORGANIZATIONS TRANSACTIONS**

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from a direct-support organization that does not meet the criteria, as discussed in note 1, for inclusion in the College’s financial statements as a component unit of the College. This organization is the Maxwell C. King Center for the Performing Arts, Inc. Information for the direct-support organization based on its financial statements as of June 30, 2012, is summarized in the following table:

	<u>Maxwell C. King Center for the Performing Arts, Inc.</u>
Assets	\$ 6,323,127
Liabilities	786,811
Revenues	4,421,822
Expenses	4,567,781

**BREVARD COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**11. JOINT PARTICIPATION AGREEMENT**

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

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

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

**12. 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:

**BREVARD COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Statement of Current Unrestricted Funds Net Assets**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 14,877,862
Accounts Receivable, Net	2,124,089
Due from Other Governmental Agencies	250,002
Inventories	234,445
Other Assets	1,307

Noncurrent Assets:

Investments	392,234
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**TOTAL ASSETS** \$ 17,879,939

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 351,818
Salary and Payroll Taxes Payable	1,044,415
Estimated Claims Payable	163,601
Compensated Absences Payable	12,763

**Total Current Liabilities** 1,572,597

Noncurrent Liabilities:

Compensated Absences Payable	8,748,862
Other Postemployment Benefits Payable	271,928

**TOTAL LIABILITIES** 10,593,387

**TOTAL NET ASSETS** 7,286,552

**TOTAL LIABILITIES AND NET ASSETS** \$ 17,879,939

**BREVARD COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$13,270,588	\$ 16,472,701
Grants and Contracts	1,002,313
Sales and Services of Educational Departments	2,600,786
Auxiliary Enterprises	1,579,721
Other Operating Revenues	200,043
<b>Total Operating Revenues</b>	<u>21,855,564</u>

**EXPENSES**

## Operating Expenses:

Personnel Services	54,553,033
Scholarships and Waivers	23,010
Utilities and Communications	3,461,938
Contractual Services	4,207,538
Other Services and Expenses	3,551,004
Materials and Supplies	3,030,635
<b>Total Operating Expenses</b>	<u>68,827,158</u>
<b>Operating Loss</b>	<u>(46,971,594)</u>

**NONOPERATING REVENUES**

State Noncapital Appropriations	36,423,795
Investment Income	15,754
Net Realized Gain on Investments	41,250
Other Nonoperating Revenues	97,621
<b>Net Nonoperating Revenues</b>	<u>36,578,420</u>

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

Capital Appropriations	8,544
Transfer from Other Funds	11,702,585
	<u>11,702,585</u>

**Increase in Net Assets**

Net Assets, Beginning of Year	5,968,597
	<u>5,968,597</u>

**Net Assets, End of Year**

	<u>\$ 7,286,552</u>
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**BREVARD COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/07	\$	\$ 746,022	\$ 746,022	0%	\$ 35,460,907	2.1%
7/1/09	\$	\$ 718,784	\$ 718,784	0%	\$ 38,735,552	1.9%
7/1/11	\$	\$ 889,457	\$ 889,457	0%	\$ 35,859,896	2.5%

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

**BREVARD COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The July 1, 2011, unfunded actuarial liability of \$889,457 was \$170,673 higher than the July 1, 2009, liability of \$718,784 primarily due to:

- Assumed conditions for retirement eligibility were changed from age 62 with 6 years of service or any age with 30 years of service to age 55 with 6 years of service or any age with 30 or more years of service.
- The investment rate of return (discount rate) was increased from 3 percent to 4 percent.
- Demographic assumptions (rates of withdrawal, retirement, disability and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of health care were updated, including a change to the methodology used to relate health care costs between ages.
- The rates of health care inflation used to project the per capita health care costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The payroll growth rate was increased from 3 percent to 4 percent.



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

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

We have audited the financial statements of Brevard Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to College management in our operational audit report No. 2013-018.

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

Respectfully submitted,



David W. Martin, CPA  
October 1, 2012

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**PRIOR AUDIT FOLLOW-UP**

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The College had taken corrective actions for the finding included in our report No. 2012-146.