

# COLLEGE OF CENTRAL FLORIDA

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2014



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	<u>County</u>
Sandra Balfour, Chair	Citrus
Don Taylor, Vice Chair	Citrus
Joyce Brancato (1)	Levy
Robert Durrance	Levy
Ronald Ewers	Marion
Priya Ghumman	Marion
Cory Pool (1)	Marion

Dr. James D. Henningsen, President

Note: (1) Board member served beyond the end of term, May 31, 2014.

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 Courtney J. Carlsen, 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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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 the College of Central Florida and its officers with administrative and stewardship responsibilities for College operations had:

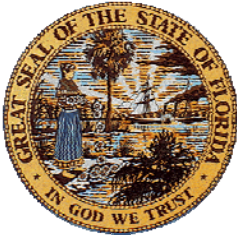
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2014. 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. 2015-043.

### 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: 850-412-2722  
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

### Report on the 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 discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units. The financial statements of The Appleton Cultural Center, Inc., a blended component unit, represent less than 1 percent of the assets, net position, and revenues, reported for the College of Central Florida. The financial statements of the discretely presented component unit 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 reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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.

### ***Other Reporting Required by Government Auditing Standards***

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* in considering the College of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 27, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2014, and should be read in conjunction with the financial statements and notes thereto. 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, 2014, and June 30, 2013, which includes its blended component unit, The Appleton Cultural Center, Inc., for fiscal years ended December 31, 2013, and December 31, 2012. The MD&A also includes the financial activity of the College of Central Florida Foundation, Inc. (discretely presented component unit), for fiscal years ended December 31, 2013, and December 31, 2012.

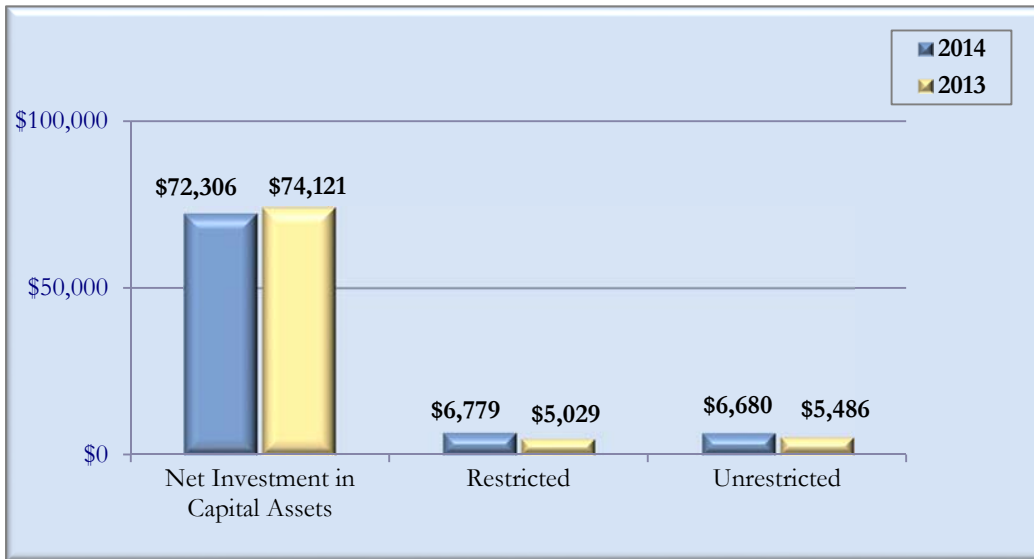
**FINANCIAL HIGHLIGHTS**

The College's assets totaled \$93.6 million at June 30, 2014. This balance reflects a \$1.1 million, or 1.1 percent, increase as compared to the 2012-13 fiscal year, resulting mainly from an increase in cash and cash equivalents of \$2.4 million. There was also an increase in Public Education Capital Outlay (PECO) funds appropriated increasing due from other governmental agencies by \$1 million; however, there was a decrease of \$2.2 million in depreciable capital assets, net of accumulated depreciation, during the 2013-14 fiscal year. Liabilities remained relatively constant between the two fiscal years, totaling \$7.9 million at June 30, 2014, and at June 30, 2013. As a result, the College's net position increased by \$1.1 million, resulting in a year-end balance of \$85.8 million.

The College's operating revenues totaled \$12.6 million for the 2013-14 fiscal year, representing a \$0.3 million, or 2.3 percent, decrease as compared to the 2012-13 fiscal year. The decrease was due mainly to a decrease in other operating revenues. Operating expenses totaled \$58.5 million for the 2013-14 fiscal year, representing a decrease of 3.1 percent as compared to the 2012-13 fiscal year. The decrease was due mainly to decreases of \$1.2 million in personnel services and \$0.8 million in materials and supplies as compared to the 2012-13 fiscal year.

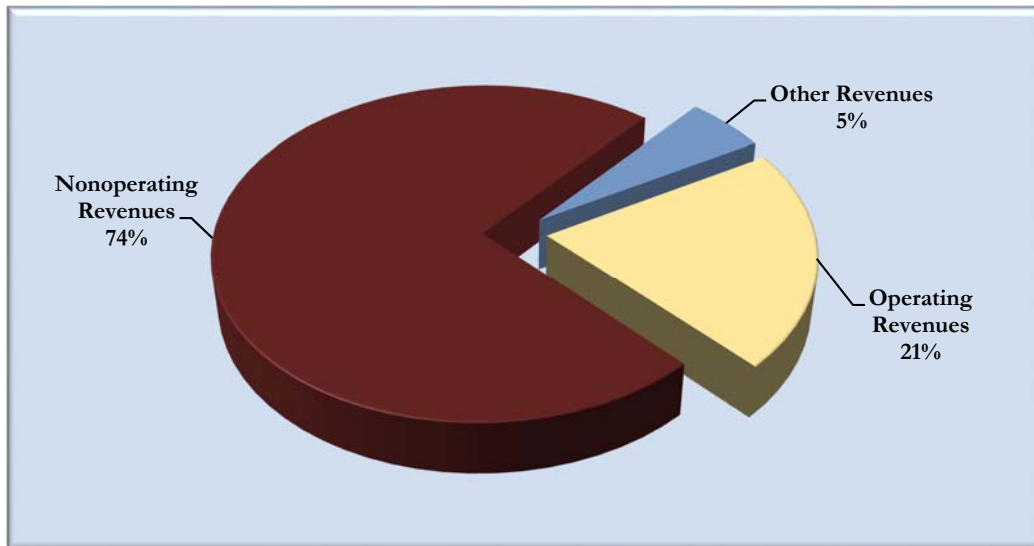
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2013-14 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 position; the statement of revenues, expenses, and changes in net position; 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.
- The Appleton Cultural Center, Inc. (Blended 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. Based on the application of the criteria for determining

component units, The Appleton Cultural Center, Inc., is included within the College's reporting entity as a blended component unit.

- College of Central Florida Foundation, Inc. (Discretely Presented 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 POSITION

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets less liabilities equal net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

A condensed statement of assets, liabilities, and net position of the College and its discretely presented component unit for the respective fiscal years ended is shown in the following table:

#### Condensed Statement of Net Position at (In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
<b>Assets</b>				
Current Assets	\$ 12,630	\$ 10,181	\$ 2,180	\$ 3,921
Capital Assets, Net	73,798	76,114	21,205	21,365
Other Noncurrent Assets	7,190	6,259	65,975	56,291
<b>Total Assets</b>	<b>93,618</b>	<b>92,554</b>	<b>89,360</b>	<b>81,577</b>
<b>Liabilities</b>				
Current Liabilities	3,570	3,188	868	939
Noncurrent Liabilities	4,283	4,730	2,578	2,949
<b>Total Liabilities</b>	<b>7,853</b>	<b>7,918</b>	<b>3,446</b>	<b>3,888</b>
<b>Net Position</b>				
Net Investment in Capital Assets	72,306	74,121	19,575	19,346
Restricted	6,779	5,029	57,027	50,363
Unrestricted	6,680	5,486	9,312	7,980
<b>Total Net Position</b>	<b>\$ 85,765</b>	<b>\$ 84,636</b>	<b>\$ 85,914</b>	<b>\$ 77,689</b>
<b>Change in Net Position</b>	<b>\$ 1,129</b>	<b>1.3%</b>	<b>\$ 8,225</b>	<b>10.6%</b>

The increase in the College's net position was primarily from an increase of \$1.1 million in total assets. The contributing factors to this increase in total assets were primarily the result of a \$2.4 million increase in cash and cash equivalents, due to an increase in State noncapital appropriations along with a decrease in operating expenses, and a \$1 million increase in due from other governmental agencies due to an increase in PECO funds appropriated. These increases were offset by a \$2.2 million decrease in depreciable capital assets, net of accumulated depreciation, because depreciation exceeded additions.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its discretely presented component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Operating Revenues	\$ 12,585	\$ 12,881	\$ 1,642	\$ 1,972
Less, Operating Expenses	58,481	60,359	3,151	3,273
<b>Operating Loss</b>	(45,896)	(47,478)	(1,509)	(1,301)
Net Nonoperating Revenues	43,805	42,330	9,203	6,913
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(2,091)	(5,148)	7,694	5,612
Other Revenues, Expenses, Gains, or Losses	3,220	2,272	531	558
<b>Net Increase (Decrease) in Net Position</b>	1,129	(2,876)	8,225	6,170
Net Position, Beginning of Year	84,636	86,681	77,689	72,443
Adjustments to Beginning Net Position (1)		831		(924)
<b>Net Position, Beginning of Year, as Restated</b>	84,636	87,512	77,689	71,519
<b>Net Position, End of Year</b>	<u>\$ 85,765</u>	<u>\$ 84,636</u>	<u>\$ 85,914</u>	<u>\$ 77,689</u>

Note: (1) Adjustments reflect the change in reporting entity of The Appleton Cultural Center, Inc., from a discretely presented component unit to a blended component unit, and implementation of GASB Statement No. 65 by the Foundation (discretely presented component unit).

**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.

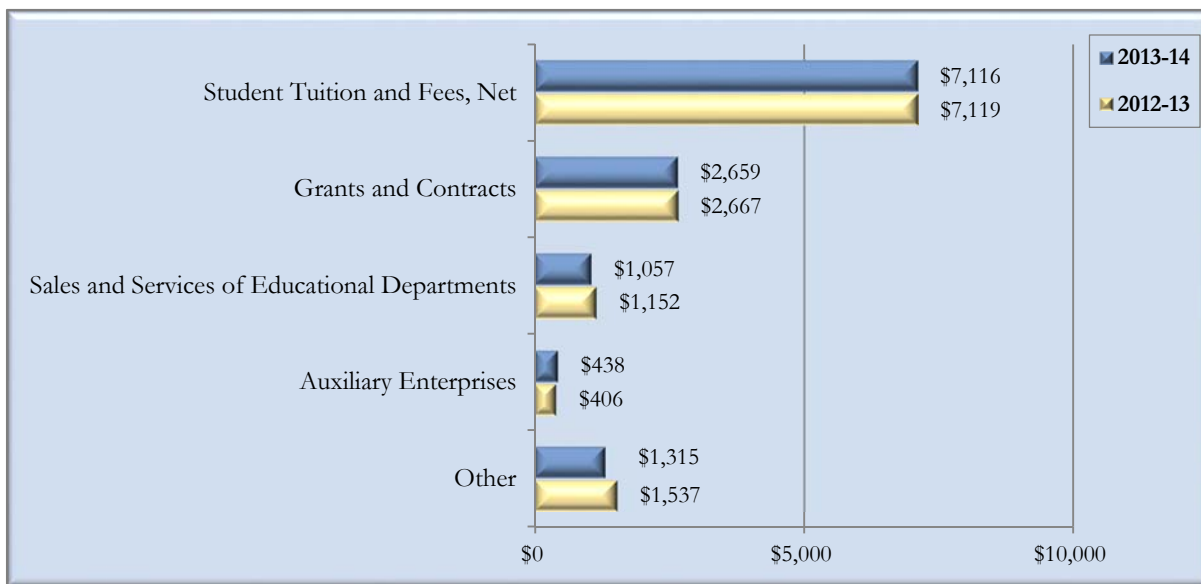
The following summarizes the operating revenues for the College and its discretely presented component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Student Tuition and Fees, Net	\$ 7,116	\$ 7,119	\$	\$
Grants and Contracts	2,659	2,667	528	620
Sales and Services of Educational Departments	1,057	1,152		
Auxiliary Enterprises	438	406		
Other	1,315	1,537	1,114	1,352
<b>Total Operating Revenues</b>	<b>\$ 12,585</b>	<b>\$ 12,881</b>	<b>\$ 1,642</b>	<b>\$ 1,972</b>

The following chart presents the College’s operating revenues for the 2013-14 and 2012-13 fiscal years:

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



College operating revenue did not change significantly from the 2012-13 fiscal year to the 2013-14 fiscal year.

**Operating Expenses**

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

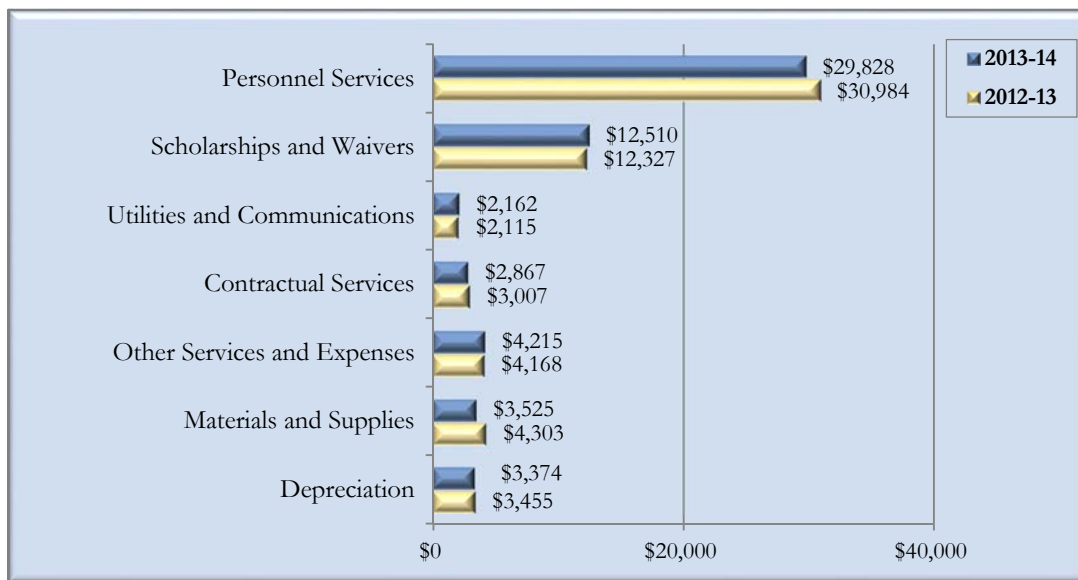
The following summarizes operating expenses by natural classification for the College and its discretely presented component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Personnel Services	\$ 29,828	\$ 30,984	\$	\$
Scholarships and Waivers	12,510	12,327	760	758
Utilities and Communications	2,162	2,115		
Contractual Services	2,867	3,007	454	332
Other Services and Expenses	4,215	4,168	1,594	1,845
Materials and Supplies	3,525	4,303	182	177
Depreciation	3,374	3,455	161	161
<b>Total Operating Expenses</b>	<b>\$ 58,481</b>	<b>\$ 60,359</b>	<b>\$ 3,151</b>	<b>\$ 3,273</b>

The following chart presents the College’s operating expenses for the 2013-14 and 2012-13 fiscal years:

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



College operating expense changes were the result of the following factors:

- Personnel services decreased by \$1.2 million during the 2013-14 fiscal year when compared to the 2012-13 fiscal year due mainly to the elimination of positions towards the end of the 2012-13 fiscal year. During the 2013-14 fiscal year, the College was able to encompass the full effect of the elimination of 17 vacant full-time positions, of which 11 full-time positions were eliminated through reorganization and discontinuance of certificate programs.
- Materials and supplies decreased by \$0.8 million when compared to the 2012-13 fiscal year due to a 10 percent budget reduction for the 2013-14 fiscal year.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

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

	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 21,163	\$ 19,790
Federal and State Student Financial Aid	22,195	22,334
Gifts and Grants	201	
Investment Income, Net	83	170
Other Nonoperating Revenues	196	175
Interest on Capital Asset-Related Debt	<u>(33)</u>	<u>(139)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 43,805</u></b>	<b><u>\$ 42,330</u></b>

Changes in the College's nonoperating revenues and expenses were the result of State noncapital appropriations increasing \$1.4 million, or 6.9 percent, due mainly to increases in Florida College System Program Fund and Education Enhancement Trust Fund (Lottery) appropriations for the 2013-14 fiscal year.

**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 2013-14 and 2012-13 fiscal years:

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

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 1,356	\$ 372
Capital Grants, Contracts, Gifts, and Fees	1,832	1,900
Other Revenues	<u>32</u>	
<b>Total</b>	<b><u>\$ 3,220</u></b>	<b><u>\$ 2,272</u></b>

Changes in other revenues, expenses, gains, or losses were the result of State capital appropriations increasing \$1 million, or 264.5 percent, from the 2012-13 fiscal year due to an increase in PECO appropriations.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. 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.

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (42,419)	\$ (44,336)
Noncapital Financing Activities	43,845	42,313
Capital and Related Financing Activities	785	799
Investing Activities	208	235
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,419</b>	<b>(989)</b>
Cash and Cash Equivalents, Beginning of Year	12,295	13,254
Adjustment to Beginning Cash and Cash Equivalents (1)		30
Cash and Cash Equivalents, Beginning of Year, as Restated	12,295	13,284
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 14,714</b>	<b>\$ 12,295</b>

Note: (1) Adjustment reflects increase in beginning cash and cash equivalents related to the change in reporting entity of The Appleton Cultural Center, Inc., from a discretely presented component unit to a blended component unit.

Major sources of funds came from Federal and State student financial aid (\$22.4 million), State noncapital appropriations (\$21.2 million), Federal Direct Student Loan program receipts (\$21 million), net student tuition and fees (\$6.9 million), and grants and contracts (\$2.7 million). Major uses of funds were for payments to employees (\$24.3 million), disbursements to students for Federal Direct Student Loans (\$21 million), payments for scholarships (\$12.5 million), payments to suppliers (\$10.3 million), and payments for employee benefits (\$5.5 million).

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

- The College's cash outflow from operating activities decreased \$1.9 million due mainly to decreases in cash used for payments to employees and suppliers for the 2013-14 fiscal year.
- The College's cash inflows from noncapital financing activities increased \$1.5 million due mainly to an increase in cash inflows from the State noncapital appropriations allocated for the Florida College System Program Fund and the Educational Enhancement Program Fund (Lottery) as compared to the 2012-13 fiscal year.

**CAPITAL ASSETS, CAPITAL EXPENSES, AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2014, the College had \$131.2 million in capital assets, less accumulated depreciation of \$57.4 million, for net capital assets of \$73.8 million. Depreciation charges for the current fiscal year totaled \$3.4 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 14,254	\$ 14,254
Construction in Progress		109
Buildings	54,752	56,497
Other Structures and Improvements	2,811	3,038
Furniture, Machinery, and Equipment	809	914
Assets Under Capital Lease	1,172	1,302
<b>Total Capital Assets, Net</b>	<b>\$ 73,798</b>	<b>\$ 76,114</b>

**CAPITAL EXPENSES**

Capital expenses through June 30, 2014, included the following major projects:

- The College had four heating, ventilation, and air conditioning (HVAC) renovation projects with expenses totaling \$344 thousand.
- The College had a construction project in the 2013-14 fiscal year for the Appleton Museum stairs with expenses totaling \$206 thousand.

**DEBT ADMINISTRATION**

As of June 30, 2014, the College had \$1.5 million in long-term debt outstanding. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

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

	<u>2014</u>	<u>2013</u>
SBE Capital Outlay Bonds	\$ 150	\$ 250
Capital Lease Payable	1,342	1,743
<b>Total</b>	<b>\$ 1,492</b>	<b>\$ 1,993</b>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, there were no bond sales, debt repayments totaled \$100 thousand, and capital lease principal balance decreased \$401 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**

The College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2014-15 fiscal year. The Board of Trustees approved a budget with no increase in tuition rates and no change in the capital improvement fee for the 2014-15 fiscal year.

**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 Francis J. Mazur III, MS-CIS, CPA, Vice President of Administration and Finance, College of Central Florida, 3001 SW College Road, Ocala, Florida 34474.

## BASIC FINANCIAL STATEMENTS

### COLLEGE OF CENTRAL FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 8,739,885	\$ 1,026,871
Restricted Cash and Cash Equivalents	517,636	1,032,222
Restricted Investments	170,692	
Accounts Receivable, Net	1,268,786	
Due from Other Governmental Agencies	1,439,723	
Due from Component Unit	131,986	
Inventories	43,704	
Prepaid Expenses	294,085	45,947
Other Assets	23,658	74,943
<b>Total Current Assets</b>	<b>12,630,155</b>	<b>2,179,983</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,456,318	4,396,426
Investments	46,293	1,274,913
Restricted Investments	7,050	2,055,978
Endowed Investments	600,000	57,327,756
Land and Property Held for Investment		345,851
Due from Component Unit	1,080,343	
Depreciable Capital Assets, Net	59,543,566	3,746,003
Nondepreciable Capital Assets	14,254,357	17,458,905
Other Assets		574,165
<b>Total Noncurrent Assets</b>	<b>80,987,927</b>	<b>87,179,997</b>
<b>TOTAL ASSETS</b>	<b>93,618,082</b>	<b>89,359,980</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	928,551	57,425
Accrued Interest Payable		9,030
Salary and Payroll Taxes Payable	1,207,525	
Due to Other Governmental Agencies	291,961	
Due to College		309,773
Unearned Revenue	104,527	41,456
Deposits Held for Others	316,492	55,521
Line of Credit Payable		13,343
Long-Term Liabilities - Current Portion:		
Bonds Payable	85,000	265,000
Loan Payable to College		100,000
Capital Lease Payable	406,636	
Compensated Absences Payable	229,965	
Other Long-Term Liabilities		16,421
<b>Total Current Liabilities</b>	<b>3,570,657</b>	<b>867,969</b>

**COLLEGE OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2014**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$ 65,000	\$ 1,365,006
Loan Payable to College		1,080,343
Capital Lease Payable	935,088	
Compensated Absences Payable	3,055,243	
Other Postemployment Benefits Payable	227,592	
Other Long-Term Liabilities		132,740
	<b>4,282,923</b>	<b>2,578,089</b>
<b>Total Noncurrent Liabilities</b>		
	<b>4,282,923</b>	<b>2,578,089</b>
<b>TOTAL LIABILITIES</b>	<b>7,853,580</b>	<b>3,446,058</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	72,306,199	19,574,902
Restricted:		
Nonexpendable:		
Endowment	600,000	54,044,566
Expendable:		
Endowment		2,982,173
Grants and Loans	637,311	
Scholarships	210,619	
Capital Projects	5,166,772	
Debt Service	7,050	
Other	156,918	
Unrestricted	6,679,633	9,312,281
	<b>6,679,633</b>	<b>9,312,281</b>
<b>TOTAL NET POSITION</b>	<b>\$ 85,764,502</b>	<b>\$ 85,913,922</b>

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 POSITION**  
**For the Fiscal Year Ended June 30, 2014**

	College	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,157,459	\$ 7,116,430	\$
Federal Grants and Contracts	2,426,880	
State and Local Grants and Contracts	73,215	
Nongovernmental Grants and Contracts	158,521	527,499
Sales and Services of Educational Departments	1,057,352	
Auxiliary Enterprises	437,691	
Other Operating Revenues	1,314,557	1,113,754
<b>Total Operating Revenues</b>	<b>12,584,646</b>	<b>1,641,253</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	29,828,383	
Scholarships and Waivers	12,510,376	760,323
Utilities and Communications	2,161,394	
Contractual Services	2,866,436	453,686
Other Services and Expenses	4,215,381	1,593,951
Materials and Supplies	3,524,570	181,843
Depreciation	3,374,083	161,012
<b>Total Operating Expenses</b>	<b>58,480,623</b>	<b>3,150,815</b>
<b>Operating Loss</b>	<b>(45,895,977)</b>	<b>(1,509,562)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	21,162,689	
Federal and State Student Financial Aid	22,195,164	
Gifts and Grants	201,184	
Investment Income, Net	83,002	8,960,722
Other Nonoperating Revenues	195,765	363,239
Interest on Capital Asset-Related Debt	(32,968)	(120,744)
<b>Net Nonoperating Revenues</b>	<b>43,804,836</b>	<b>9,203,217</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(2,091,141)</b>	<b>7,693,655</b>
State Capital Appropriations	1,355,757	
Capital Grants, Contracts, Gifts, and Fees	1,832,184	
Additions to Endowments		530,778
Other Revenues	31,680	
<b>Total Other Revenues</b>	<b>3,219,621</b>	<b>530,778</b>
<b>Increase in Net Position</b>	<b>1,128,480</b>	<b>8,224,433</b>
Net Position, Beginning of Year	84,636,022	77,689,489
<b>Net Position, End of Year</b>	<b>\$ 85,764,502</b>	<b>\$ 85,913,922</b>

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, 2014**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 6,887,731
Grants and Contracts	2,709,083
Payments to Suppliers	(10,321,780)
Payments for Utilities and Communications	(2,161,394)
Payments to Employees	(24,337,756)
Payments for Employee Benefits	(5,480,147)
Payments for Scholarships	(12,510,376)
Auxiliary Enterprises	437,691
Sales and Service of Educational Departments	1,057,352
Other Receipts	1,300,527
	<b>(42,419,069)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	21,162,689
Federal and State Student Financial Aid	22,396,348
Federal Direct Loan Program Receipts	21,026,017
Federal Direct Loan Program Disbursements	(21,026,017)
Other Nonoperating Receipts	285,680
	<b>43,844,717</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	530,075
Capital Grants and Gifts	1,832,184
Proceeds from Sale of Capital Assets	19,997
Purchases of Capital Assets	(1,062,915)
Principal Paid on Capital Debt and Leases	(501,226)
Interest Paid on Capital Debt and Leases	(32,968)
	<b>785,147</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of Investments	116,161
Investment Income	92,322
	<b>208,483</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,419,278</b>
Cash and Cash Equivalents, Beginning of Year	12,294,561
	<b>\$ 14,713,839</b>

**COLLEGE OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Fiscal Year Ended June 30, 2014**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (45,895,977)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,374,083
Changes in Assets and Liabilities:	
Receivables, Net	(109,250)
Due from Other Governmental Agencies	(202,075)
Inventories	(6,735)
Prepaid Expenses	34,223
Accounts Payable	339,298
Salaries and Payroll Taxes Payable	(46,258)
Unearned Revenue	50,467
Deposits Held for Others	(13,583)
Compensated Absences Payable	28,987
Other Postemployment Benefits Payable	27,751
	\$ (42,419,069)
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>	
Unrealized losses on investments were recognized as a decrease to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (9,320)

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, 2014**

**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. 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.

**Blended Component Unit.** Although it is legally separate from the College, The Appleton Cultural Center, Inc. (Center), is included within the College's reporting entity as a blended component unit because management of the College has operational responsibility for the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government.

The Center was 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 financial data blended within the College's accompanying financial statements was derived from the Center's audited financial statements for the fiscal year ended December 31, 2013. Condensed financial statements for the College's blended component unit are shown in a subsequent note.

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the College of Central Florida Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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 December 31, 2013.

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

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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:

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

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, 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 follows GASB standards of accounting and financial reporting.

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, and follow GASB standards of accounting and financial reporting.

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.

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

The statement of net position 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 position 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 deposit accounts, and highly liquid 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 as cash equivalents amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (SBA) Florida PRIME investment pool to be cash equivalents. College demand 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, 2014, the College reported as cash equivalents at fair value \$3,112,266 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents \$2,780,113 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, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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.

**Cash and Cash Equivalents – Discretely Presented Component Unit.** The amount reported for the Foundation as cash and cash equivalents consists of cash, certificates of deposit, money market accounts, and highly liquid fixed income investments with original maturities of three months or less.

*Custodial Credit Risk.* 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 cash and cash equivalents held by depositories and the bank balances amounted to \$2,287,166, of which \$1,641,086 was uninsured at December 31, 2013.

**Capital Assets - College.** College capital assets consist of land; 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 \$50,000 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

**Capital Assets – Discretely Presented Component Unit.** The Foundation's land, buildings, and equipment are stated at cost, except for donated property which is stated at fair market value on the date of donation, and is net of accumulated depreciation of \$2,357,552. 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.

**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, 2014**

**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 SBA; 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.

Investments reported by the College at June 30, 2014, are at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
College:	
SBA Fund B Surplus Trust Fund	\$ 46,293
SBA Debt Service Accounts	7,050
The Appleton Cultural Center, Inc.:	
Ridgeworth Mutual Fund - U.S. Government Securities	770,692
<b>Total Investments</b>	<b>\$ 824,035</b>

**State Board of Administration Fund B Surplus Funds Trust Fund.** The 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 is available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College reported investments at fair value of \$46,293 in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio’s WAL

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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, 2014. 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 \$7,050 at June 30, 2014, 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.

**The Appleton Cultural Center, Inc.** Investments of the Center (blended component unit) totaling \$770,692 are carried at market value and consist exclusively of mutual funds which invest in U.S. Government securities. As of December 31, 2013, the mutual fund carried a credit rating of AAA by Standard and Poor's and had a WAL of 5.98 years. A \$600,000 nonexpendable principal balance is maintained in the Center's Fine Arts Endowment Program Fund while the remaining \$170,692 current portion is classified as restricted.

**Discretely Presented Component Unit**

Investments of the Foundation include endowed investments of \$57,327,756 in United States Government securities, and corporate debt securities and equities, reported at fair value based on quoted market prices; non-endowed investments of \$3,330,891, held for various unrestricted and restricted purposes, reported at fair value; and real estate holdings of \$345,851, reported at fair market value at the date of gift.

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 Marie 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 Marie 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, 2014**

Investment	Weighted-Average Maturity or Duration (Years)	Credit Quality Rating	Fair Value
<b>Appleton Museum Family Endowment:</b>			
Government/Corporate Bonds	7.0	AA	\$ 2,129,750
TIPS	2.4	AAA	352,493
High Yield Bonds	5.0	Unrated	1,078,020
Emerging Markets Debt	6.0	Unrated	266,051
Equities	(1)	(1)	8,283,600
Global Real Estate	(1)	(1)	993,435
Commodities	(1)	(1)	732,097
<b>Total Appleton Museum Family Endowment</b>			<b>13,835,446</b>
<b>Edith Marie Appleton Endowment:</b>			
Government/Corporate Bonds	7.0	AA	641,412
TIPS	2.4	AAA	106,159
High Yield Bonds	5.0	Unrated	324,665
Emerging Markets Debt	6.0	Unrated	80,125
Equities	(1)	(1)	2,494,737
Global Real Estate	(1)	(1)	299,196
Commodities	(1)	(1)	220,490
<b>Total Edith Marie Appleton Endowment</b>			<b>4,166,784</b>
<b>Other Endowed Investments:</b>			
Investment Grade Fixed Income	2.57	AA	4,744,740
Non-Investment Grade Fixed Income	3.62	B	2,969,571
Investment Bonds	3.20	BBB	1,608,624
Equities	(1)	(1)	30,002,591
<b>Total Other Endowed Investments</b>			<b>39,325,526</b>
<b>Total Endowment Investments</b>			<b>\$ 57,327,756</b>

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

Non-endowed investments are invested separately and managed in accordance with the Foundation's Board of Directors approval for non-endowed investments. The following information is presented for the Foundation's non-endowed investments:

Investment	Weighted-Average Maturity or Duration (Years)	Credit Quality Rating	Fair Value
<b>Non-Endowed Investments:</b>			
Investment Grade Fixed Income	2.57	AA	\$ 3,095,418
Non-Investment Grade Fixed Income	3.62	B	133,777
Investment Bonds	3.20	BBB	101,696
<b>Total Non-Endowed Investments</b>			<b>\$ 3,330,891</b>

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The following risks apply to the Foundation's investments:

*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 Marie Appleton Endowment, and the duration method is used for the other endowed investments.

*Credit Risk:* Credit risk is 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.

*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 Marie 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 managed by SEI Investments Management Corporation and are held in counterparty accounts as custodian for the Foundation.

*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 Marie Appleton Endowment, or other endowed investment portfolios.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Foundation investment risk exposure is as follows:

- Appleton Museum Family Endowment and Edith Marie 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 SEI Investments Management Corporation are not exposed to this type of risk.

### **3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments and are reported net of an \$88,986 allowance for doubtful accounts.

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**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$966,009 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$415,030 due from the Federal government for reimbursement of grant expenditures.

**5. DUE FROM AND TO COMPONENT UNIT/COLLEGE**

The College's financial statements are reported for the fiscal year ended June 30, 2014, and the financial statements of the Foundation (discretely presented component unit) are reported for the fiscal year ended December 31, 2013. Accordingly, on the statement of net position, the amount (current) due from component unit of \$131,986 reported by the College does not agree with the amounts (current) due to the College of \$309,773 and loan payable to College of (\$100,000) reported by the Foundation. However, on the statement of net position, the amount (noncurrent) due from component unit reported by the College pursuant to a limited pledge agreement explained in note 8, agrees with the amount (noncurrent) loan payable to the College reported by the Foundation of \$1,080,343. This is because any advances to the Foundation were completed before December 31, 2013.

**6. CAPITAL ASSETS**

Capital assets activity of the College for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 14,254,357	\$	\$	\$ 14,254,357
Construction in Progress	108,764		108,764	
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 14,363,121</b>	<b>\$</b>	<b>\$ 108,764</b>	<b>\$ 14,254,357</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 96,011,579	\$ 370,037	\$	\$ 96,381,616
Other Structures and Improvements	10,407,369	344,460		10,751,829
Furniture, Machinery, and Equipment	7,040,638	452,467	316,400	7,176,705
Assets Under Capital Lease	2,604,386			2,604,386
<b>Total Depreciable Capital Assets</b>	<b>116,063,972</b>	<b>1,166,964</b>	<b>316,400</b>	<b>116,914,536</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	39,515,009	2,114,626		41,629,635
Other Structures and Improvements	7,369,248	572,246		7,941,494
Furniture, Machinery, and Equipment	6,126,838	556,992	316,400	6,367,430
Assets Under Capital Lease	1,302,192	130,219		1,432,411
<b>Total Accumulated Depreciation</b>	<b>54,313,287</b>	<b>3,374,083</b>	<b>316,400</b>	<b>57,370,970</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 61,750,685</b>	<b>\$ (2,207,119)</b>	<b>\$</b>	<b>\$ 59,543,566</b>

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Capital asset activity of the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 459,640	\$	\$	\$ 459,640
Works of Art and Historical Treasures	16,999,265			16,999,265
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,458,905</b>	<b>\$</b>	<b>\$</b>	<b>\$ 17,458,905</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 6,063,065	\$	\$	\$ 6,063,065
Furniture, Machinery, and Equipment	45,082		4,592	40,490
<b>Total Depreciable Capital Assets</b>	<b>6,108,147</b>		<b>4,592</b>	<b>6,103,555</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	2,163,701	158,578		2,322,279
Furniture, Machinery, and Equipment	37,431	2,434	4,592	35,273
<b>Total Accumulated Depreciation</b>	<b>2,201,132</b>	<b>161,012</b>	<b>4,592</b>	<b>2,357,552</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 3,907,015</b>	<b>\$ (161,012)</b>	<b>\$</b>	<b>\$ 3,746,003</b>

**7. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2014, 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, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 250,000	\$	\$ 100,000	\$ 150,000	\$ 85,000
Capital Lease Payable	1,742,950		401,226	1,341,724	406,636
Compensated Absences Payable	3,256,221	267,380	238,393	3,285,208	229,965
Other Postemployment Benefits Payable	199,841	56,766	29,015	227,592	
<b>Total Long-Term Liabilities</b>	<b>\$ 5,449,012</b>	<b>\$ 324,146</b>	<b>\$ 768,634</b>	<b>\$ 5,004,524</b>	<b>\$ 721,601</b>

Long-term liabilities of the Foundation (discretely presented 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, 2013, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Industrial Revenue Bonds:					
Student Housing Bonds	\$ 450,000	\$	\$ 290,000	\$ 160,000	\$ 160,000
Enterprise Center Revenue Bonds	1,570,002		99,996	1,470,006	105,000
Loan Payable to College	1,180,343			1,180,343	100,000
Other Long-Term Liabilities	154,389		5,228	149,161	16,421
<b>Total Long-Term Liabilities</b>	<b>\$ 3,354,734</b>	<b>\$</b>	<b>\$ 395,224</b>	<b>\$ 2,959,510</b>	<b>\$ 381,421</b>

**Bonds Payable - College.** The 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 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, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 110,000	5	2017
Series 2011A	40,000	5	2015
<b>Total</b>	<b>\$ 150,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2015	\$ 85,000	\$ 7,500	\$ 92,500
2016	45,000	3,250	48,250
2017	20,000	1,000	21,000
<b>Total</b>	<b>\$ 150,000</b>	<b>\$ 11,750</b>	<b>\$ 161,750</b>

**Bonds Payable – Foundation.** Bonds payable of the Foundation (discretely presented component unit) at December 31, 2013, consists 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 first mortgage on real property; first lien on personal property; and assignment of leases, rents, and profits.

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Remaining payments on the bonds totaling \$163,808, including interest of \$3,808, are due in the fiscal year ending December 31, 2014.

- 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. The bonds are secured by a first mortgage on real property, first lien on personal property, and assignment of rents, contracts, and leases. The interest rate is fixed at 4.125 percent annually through 2015 and may be adjusted for each subsequent five-year period through June 2, 2023. Annual requirements to amortize the Enterprise Center Revenue Bonds, Series 2003A1, are as follows:

Fiscal Year Ending December 31	Enterprise Center Revenue Bonds, Series 2003A1		
	Principal	Interest	Total
2014	\$ 105,000	\$ 58,790	\$ 163,790
2015	115,000	54,247	169,247
2016	130,000	49,277	179,277
2017	145,000	43,590	188,590
2018	155,000	37,426	192,426
2019-2023	820,006	81,124	901,130
<b>Total</b>	<b>\$ 1,470,006</b>	<b>\$ 324,454</b>	<b>\$ 1,794,460</b>

**Loan Payable to College - Foundation.** On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (discretely presented component unit) to assist the Foundation with unfunded debt service payments associated with the Foundation’s financing of a student housing facility. 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. At December 31, 2013, the cumulative total of these advances was \$1,180,343. The Foundation worked out a repayment plan with the College to begin repayment during the fiscal year ended December 31, 2014.

Annual requirements to amortize the outstanding loan as of December 31, 2013, are as follows.

Fiscal Year Ending December 31	Amount
2014	\$ 100,000
2015	100,000
2016	100,000
2017	100,000
2018	100,000
2019-2023	500,000
2024	180,343
<b>Total</b>	<b>\$ 1,180,343</b>

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**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 is 1.34 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 422,123
2016	422,123
2017	422,123
2018	<u>105,531</u>
<b>Total Minimum Payments</b>	1,371,900
Less, Amount Representing Interest	<u>30,176</u>
<b>Present Value of Minimum Payments</b>	<u><u>\$ 1,341,724</u></u>

**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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,285,208. The current portion of the compensated absences liability, \$229,965, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

**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).

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

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*Funding Policy.* Plan benefits are pursuant to the 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 2013-14 fiscal year, 58 retirees received postemployment healthcare benefits and 53 retirees received postemployment life insurance benefits. The College provided required contributions of \$29,015 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 \$300,989, which represents 1.8 percent of covered payroll.

*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 fiscal 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)	\$ 36,804
Amortization of Unfunded Actuarial Accrued Liability	18,629
<b>Annual Required Contribution</b>	55,433
Interest on Net OPEB Obligation	7,994
Adjustment to Annual Required Contribution	(6,661)
<b>Annual OPEB Cost (Expense)</b>	56,766
Contribution Toward the OPEB Cost	(29,015)
<b>Increase in Net OPEB Obligation</b>	27,751
Net OPEB Obligation, Beginning of Year	199,841
<b>Net OPEB Obligation, End of Year</b>	\$ 227,592

The College’s annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 52,985	(8.2%)	\$ 163,645
2012-13	53,367	32.2%	199,841
2013-14	56,766	51.1%	227,592

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*Funded Status and Funding Progress.* As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$558,864, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$558,864, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$16,795,383 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.33 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, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. 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, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on open basis. The remaining amortization period at June 30, 2014, was 23 years.

## **8. 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 the 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. The 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

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plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS 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 DROP are not eligible to participate in the Investment Plan. Employer and employee 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 2013-14 fiscal year were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$1,172,108, \$1,399,826, and \$1,777,089, respectively, which were equal to the required contributions for each fiscal year.

There were 97 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$303,525, which was equal to the required contribution for the 2013-14 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’ Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). 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 Division of Retirement’s Web site ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

**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 eight 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, 7.34 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant’s annuity

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account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 15 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$76,995 and employee contributions totaled \$31,158 for the 2013-14 fiscal year.

**9. 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 purchases excess insurance from commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**10. 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 position are presented by natural classifications. The following are those same expenses of the College presented in functional classifications as recommended by NACUBO:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 16,936,766
Academic Support	4,020,640
Student Services	5,227,868
Institutional Support	9,859,385
Operation and Maintenance of Plant	6,004,398
Scholarships and Waivers	12,510,376
Depreciation	3,374,083
Auxiliary Enterprises	<u>547,107</u>
<b>Total Operating Expenses</b>	<b><u><u>\$ 58,480,623</u></u></b>

**11. BLENDED COMPONENT UNIT**

The College has one blended component unit as discussed in note 1. The following financial information is presented for the College's blended component unit:

**Condensed Statement of Net Position**

	<u>Blended Component Unit The Appleton Cultural Center, Inc. 12-31-13</u>	<u>College 6-30-14</u>	<u>Total Primary Government</u>
<b>Assets:</b>			
Current Assets	\$ 170,792	\$ 12,459,363	\$ 12,630,155
Capital Assets, Net		73,797,923	73,797,923
Other Noncurrent Assets	<u>600,000</u>	<u>6,590,004</u>	<u>7,190,004</u>
<b>Total Assets</b>	<u>770,792</u>	<u>92,847,290</u>	<u>93,618,082</u>
<b>Liabilities:</b>			
Current Liabilities	13,874	3,556,783	3,570,657
Noncurrent Liabilities		<u>4,282,923</u>	<u>4,282,923</u>
<b>Total Liabilities</b>	<u>13,874</u>	<u>7,839,706</u>	<u>7,853,580</u>
<b>Net Position:</b>			
Net Investment in Capital Assets		72,306,199	72,306,199
Restricted - Nonexpendable	600,000		600,000
Restricted - Expendable	156,918	6,021,752	6,178,670
Unrestricted		<u>6,679,633</u>	<u>6,679,633</u>
<b>Total Net Position</b>	<b><u><u>\$ 756,918</u></u></b>	<b><u><u>\$ 85,007,584</u></u></b>	<b><u><u>\$ 85,764,502</u></u></b>

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Position**

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, Inc. 12-31-13	College 6-30-14	
Operating Revenues	\$ 3,331	\$ 12,581,315	\$ 12,584,646
Depreciation Expense		(3,374,083)	(3,374,083)
Other Operating Expenses	(53,383)	(55,053,157)	(55,106,540)
<b>Operating Loss</b>	<b>(50,052)</b>	<b>(45,845,925)</b>	<b>(45,895,977)</b>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue		43,754,802	43,754,802
Investment Income (Loss)	(30,514)	113,516	83,002
Interest on Capital-Asset Related Debt		(32,968)	(32,968)
<b>Net Nonoperating Revenues</b>	<b>(30,514)</b>	<b>43,835,350</b>	<b>43,804,836</b>
Other Revenues, Expenses, Gains, and Losses		3,219,621	3,219,621
<b>Increase (Decrease) in Net Position</b>	<b>(80,566)</b>	<b>1,209,046</b>	<b>1,128,480</b>
Net Position, Beginning of Year	837,484	83,798,538	84,636,022
<b>Net Position, End of Year</b>	<b>\$ 756,918</b>	<b>\$ 85,007,584</b>	<b>\$ 85,764,502</b>

**Condensed Statement of Cash Flows**

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, Inc. 12-31-13	College 6-30-14	
Net Cash Provided (Used) by:			
Operating Activities	\$ (46,669)	\$ (42,372,400)	\$ (42,419,069)
Noncapital Financing Activities		43,844,717	43,844,717
Capital and Related Financing Activities		785,147	785,147
Investing Activities	17,111	191,372	208,483
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(29,558)</b>	<b>2,448,836</b>	<b>2,419,278</b>
Cash and Cash Equivalents, Beginning of Year	29,658	12,264,903	12,294,561
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 100</b>	<b>\$ 14,713,739</b>	<b>\$ 14,713,839</b>

**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**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 position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the College's current unrestricted funds are presented, as follows:

**Statement of Current Unrestricted Funds Net Position****ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$	8,739,785
Accounts Receivable, Net		1,267,786
Due from Other Governmental Agencies		22,216
Due from Component Unit		100,000
Due from Other Funds		2,964
Inventories		30,994
Prepaid Expenses		282,861
Other Assets		23,658

<b>Total Current Assets</b>		10,470,264
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## Noncurrent Assets:

Investments		42,589
Due from Component Unit		1,080,343

<b>Total Noncurrent Assets</b>		1,122,932
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<b>TOTAL ASSETS</b>		11,593,196
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**LIABILITIES**

## Current Liabilities:

Accounts Payable		770,305
Salary and Payroll Taxes Payable		604,554
Due to Other Governmental Agencies		25,904
Compensated Absences Payable		229,965

<b>Total Current Liabilities</b>		1,630,728
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## Noncurrent Liabilities:

Compensated Absences Payable		3,055,243
Other Postemployment Benefits Payable		227,592

<b>Total Noncurrent Liabilities</b>		3,282,835
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<b>TOTAL LIABILITIES</b>		4,913,563
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<b>TOTAL NET POSITION</b>		\$ 6,679,633
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**COLLEGE OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$11,157,459	\$ 5,144,854
Federal Grants and Contracts	203,701
State and Local Grants and Contracts	19,997
Sales and Services of Educational Departments	777,386
Auxiliary Enterprises	382,948
Other Operating Revenues	1,103,134
<b>Total Operating Revenues</b>	<b>7,632,020</b>

**EXPENSES**

## Operating Expenses:

Personnel Services	26,410,182
Scholarships and Waivers	453,104
Utilities and Communications	1,871,776
Contractual Services	2,176,956
Other Services and Expenses	3,461,585
Materials and Supplies	1,243,250
<b>Total Operating Expenses</b>	<b>35,616,853</b>
<b>Operating Loss</b>	<b>(27,984,833)</b>

**NONOPERATING REVENUES**

State Noncapital Appropriations	19,659,005
Gifts and Grants	201,184
Investment Income	46,447
Other Nonoperating Revenues	195,765

**Net Nonoperating Revenues** **20,102,401**

**Income (Loss) Before Other Revenues,  
Expenses, Gains, or Losses**

Transfers to/from Other Funds 9,075,828

**Increase in Net Position** **1,193,396**

Net Position, Beginning of Year 5,486,237

**Net Position, End of Year** **\$ 6,679,633**

**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]
7/1/2009	\$ -	\$ 168,293	\$ 168,293	0%	\$ 17,874,831	0.94%
7/1/2011	-	324,567	324,567	0%	17,161,943	1.89%
7/1/2013	-	558,864	558,864	0%	16,795,383	3.33%

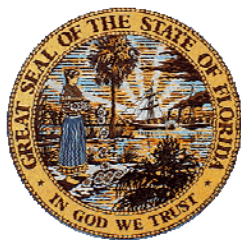
Note: (1) The actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**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, 2013, unfunded actuarial accrued liability of \$558,864 increased by 72 percent from the July 1, 2011, liability of \$324,567 primarily as a result of:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those employees hired on or after July 1, 2011.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
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*

### Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of the College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 27, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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. 2015-043.

### Purpose of this Report

The purpose of the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 27, 2015