

CENTRAL FLORIDA COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

	<u>County</u>
Bernard L. Little, Jr., Chair	Marion
Mari-Elain Ebitz, Vice Chair	Citrus
Robert O. Hastings	Levy
Cory Pool	Marion
Frank E. Stafford, Jr.	Marion
Betty Strifler	Citrus
Carol Sullivan	Levy

Dr. Charles R. Dassance, President

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

CENTRAL FLORIDA COMMUNITY COLLEGE
TABLE OF CONTENTS

	PAGE NO.	
EXECUTIVE SUMMARY.....	i	
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3	
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	13	
Statement of Revenues, Expenses, and Changes in Net Assets.....	15	
Statement of Cash Flows.....	16	
Notes to Financial Statements	18	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....		40
Internal Control Over Financial Reporting.....	40	
Compliance and Other Matters	41	

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

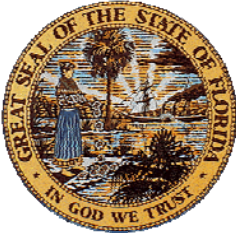
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. 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, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Florida Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 13 through 39. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Appleton Cultural Center, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Florida Community College and of its aggregate discretely presented component units as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Appleton Cultural Center, Inc. (Center), a component unit of the College, changed its fiscal year from July through June to January through December. As a result of this change, the College's 2007-08 fiscal year financial statements included the Center's financial activities for the six-month period ending December 31, 2007. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the aggregate discretely presented component units' column for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Central Florida Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College's component units, Central Florida Community College Foundation, Inc., and the Appleton Cultural Center, Inc.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$99.1 million at June 30, 2009. This balance reflects a \$6.7 million, or 7.3 percent, increase from the 2007-08 fiscal year. This increase was due mainly to an increase in depreciable capital assets of \$3.9 million, or 6.9 percent, compared to the 2007-08 fiscal year, with ongoing construction of \$5.8 million, and acquisition of land in Levy County. While assets grew, liabilities increased by a lesser amount of \$1.3 million, or 15.7 percent, totaling \$9.8 million at June 30, 2009, compared to \$8.5 million at June 30, 2008. As a result, the College's net assets increased by \$5.4 million, reaching a year-end balance of \$89.3 million.

The College's revenues totaled \$57 million for the 2008-09 fiscal year, representing an increase of 0.5 percent over the 2007-08 fiscal year. There was a 6 percent increase in tuition and fee rates for the 2008-09 school year. In addition, there was a 25.5 percent increase in student enrollment from the 2007-08 school year to the 2008-09 school year. These increases were offset by reductions in State and capital appropriations, and investment losses due to market conditions.

Operating expenses totaled \$51.4 million for the 2008-09 fiscal year, representing an increase of 1.4 percent over the 2007-08 fiscal year. This increase is due primarily to an increase in scholarships and waivers expense of \$2.4 million compared to the 2007-08 fiscal year. This is attributable to the increased demand for financial aid for students in conjunction with the upsurge of enrollment for the 2008-09 school year.

Personnel services totaled \$27.7 million for the 2008-09 fiscal year, representing a 2.4 percent increase over the 2007-08 fiscal year. This increase was due in part to the hiring of additional instructors to accompany the increase in the number of students during the 2008-09 school year. Direct instructional compensation increased 6.7 percent over the 2007-08 fiscal year. Health insurance costs increased 11.6 percent compared to the 2007-08 fiscal year due to rising healthcare costs.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component units for the respective periods ended are shown in the following table:

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

	College		Component Units	
	6-30-09	6-30-08	12-31-08	12-31-07 (1)
Assets				
Current Assets	\$ 13,277	\$ 17,367	\$ 12,797	\$ 10,106
Capital Assets, Net	80,349	72,210	21,832	21,997
Other Noncurrent Assets	5,486	2,835	29,167	42,922
Total Assets	<u>99,112</u>	<u>92,412</u>	<u>63,796</u>	<u>75,025</u>
Liabilities				
Current Liabilities	4,326	3,139	1,189	1,060
Noncurrent Liabilities	5,519	5,374	3,820	4,089
Total Liabilities	<u>9,845</u>	<u>8,513</u>	<u>5,009</u>	<u>5,149</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	77,235	68,311	18,630	18,525
Restricted	6,621	11,154	35,468	46,929
Unrestricted	5,411	4,434	4,689	4,422
Total Net Assets	<u>\$ 89,267</u>	<u>\$ 83,899</u>	<u>\$ 58,787</u>	<u>\$ 69,876</u>
Change in Net Assets	<u>\$ 5,368</u> 6.4%		<u>\$ (11,089)</u> -15.9%	

The College's increase in net assets was primarily due to an increase in capital assets. The decrease in net assets of the component units is due primarily to a 34.9 percent decrease in the Foundation's endowment investments compared to the previous fiscal year. Investments are reported at fair value and were impacted by the market conditions during 2008. This decrease in the fair value of the Foundation's investments was also a primary cause of the decrease in the component units' other nonoperating revenues.

A condensed statement of revenues and expenses of the College and its component units for the respective periods ended are shown in the following table:

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

	College		Component Units	
	6-30-09	6-30-08	12-31-08	12-31-07 (1)
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 8,680	\$ 8,398	\$	\$
Federal Grants and Contracts	2,299	2,129		
State and Local Grants and Contracts	262	322		
Nongovernmental Grants and Contracts	423	170	2,317	1,503
Sales and Services of Educational Departments	1,011	1,336		
Auxiliary Enterprises	304	460		
Other Operating Revenues	1,550	1,466	1,430	1,389
Total Operating Revenues	14,529	14,281	3,747	2,892
Less, Operating Expenses	51,420	50,725	3,835	3,531
Operating Loss	(36,891)	(36,444)	(88)	(639)
Nonoperating Revenues (Expenses)				
State Appropriations	20,218	22,041		1,418
Other Nonoperating Revenues (Expenses)	12,232	8,690	(11,738)	6,847
Interest on Capital Asset-Related Debt	(171)	(179)	(150)	(223)
Net Nonoperating Revenues (Expenses)	32,279	30,552	(11,888)	8,042
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	9,048	11,001		
Capital Grants, Contracts, Gifts, and Fees	932	642		
Additions to Permanent Endowments			887	1,540
Increase (Decrease) in Net Assets	5,368	5,751	(11,089)	8,943
Net Assets, Beginning of Year	83,899	78,148	69,876	60,933
Net Assets, End of Year	\$ 89,267	\$ 83,899	\$ 58,787	\$ 69,876

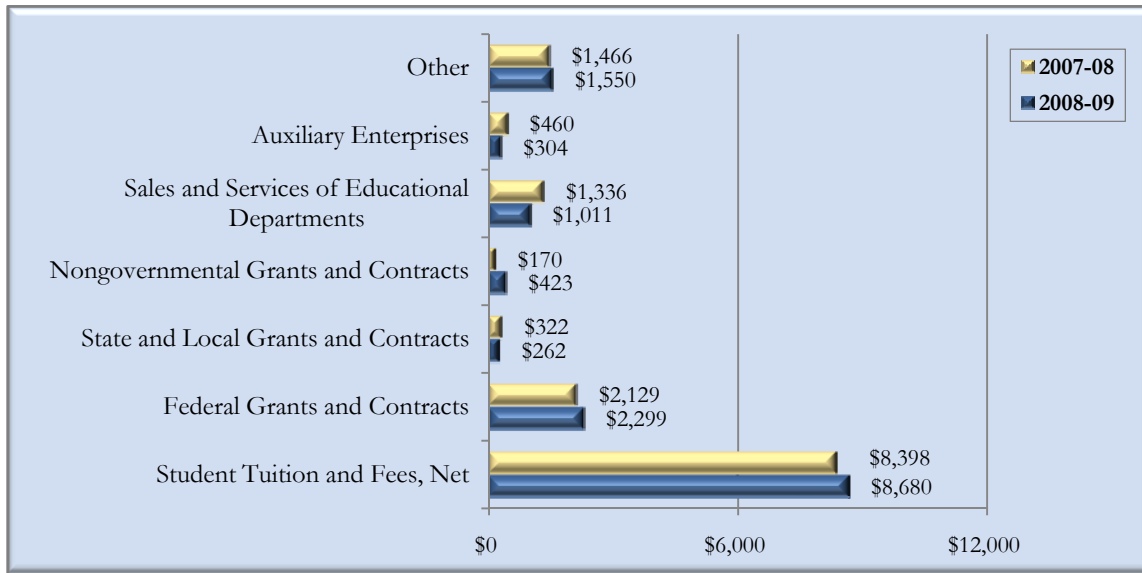
Note: (1) Amounts are for the six-month period ended December 31, 2007, for the Appleton Cultural Center, Inc., and for the fiscal year ended December 31, 2007, for the Central Florida Community College Foundation, Inc.

Operating Revenues

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

The following chart presents the College's operating revenues for the 2008-09 and 2007-08 fiscal years:

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



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

- Tuition and fees (net of scholarship allowances) increased 3.4 percent compared to the 2007-08 fiscal year due primarily to an increase in the student tuition and fee rates for the 2008-09 fiscal year, coupled with an increase in student enrollment.
- State and local grants decreased 18.6 percent compared to the 2007-08 fiscal year due primarily to the reduction of new and existing grants and contracts from the State of Florida.
- Sales and services of educational departments decreased 24.3 percent compared to the 2007-08 fiscal year due to decreases in demand for services provided by the College.
- Revenues from auxiliary enterprises decreased 33.9 percent from the 2007-08 fiscal year due to a decrease in rental of College facilities.
- Nongovernmental grants and contracts increased \$253 thousand from the 2007-08 fiscal year due in part to community support in cash contributions for the Appleton Museum of Art fund drives.

Operating Expenses

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

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

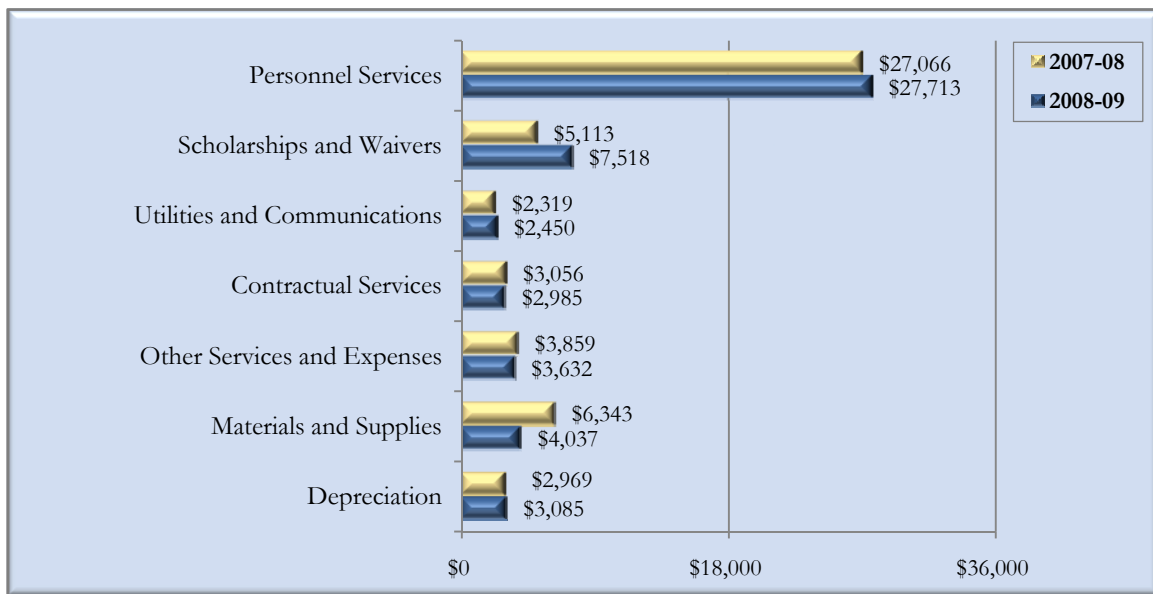
**Operating Expenses
(In Thousands)**

	College		Component Units	
	6-30-09	6-30-08	12-31-08	12-31-07 (1)
Operating Expenses				
Personnel Services	\$ 27,713	\$ 27,066	\$	\$
Scholarships and Waivers	7,518	5,113	802	734
Utilities and Communications	2,450	2,319		
Contractual Services	2,985	3,056	495	451
Other Services and Expenses	3,632	3,859	2,194	2,010
Materials and Supplies	4,037	6,343	167	159
Depreciation	3,085	2,969	177	177
Total Operating Expenses	\$ 51,420	\$ 50,725	\$ 3,835	\$ 3,531

Note: (1) Amounts are for the six-month period ended December 31, 2007, for the Appleton Cultural Center, Inc., and for the fiscal year ended December 31, 2007, for the Central Florida Community College Foundation, Inc.

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:

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



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

- Personnel services, which are the primary operating expenses for the College, increased \$647 thousand, or 2.4 percent, from the 2007-08 fiscal year due mainly to the increase in instructional compensation for additional adjuncts and overloads to accommodate the increase in enrollment. There was also an increase in costs for employee healthcare benefits.
- Utilities and communications increased by \$131 thousand, or 5.6 percent. Although the College has instituted energy saving programs, global demand for energy sources has exerted upward pressure on utility prices, which is being passed onto the College in the form of rate hikes by the local utility companies. In addition, the College added additional square footage at the Citrus campus.

- Scholarships and waivers increased by \$2.4 million, or 47 percent, due primarily to the increase in student enrollment and therefore an increase in the demand for financial aid in the 2008-09 school year.
- Materials and supplies as well as other services and expenses decreased \$2.3 million and \$227 thousand, respectively, compared to the 2007-08 fiscal year, to offset legislative appropriation reductions during the 2008-09 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain student grants and scholarships, 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 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
State Appropriations	\$ 20,218	\$ 22,041
Grants and Scholarships - Student Aid	11,974	8,284
Investment Income	95	355
Other Nonoperating Revenues	163	51
Interest on Capital Asset-Related Debt	(171)	(179)
Net Nonoperating Revenues	\$ 32,279	\$ 30,552

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

- State appropriations decreased by \$1.8 million from the 2007-08 fiscal year. The decrease is due to reductions in State funding for current operations and performance-based funding.
- Grants and scholarships increased by \$3.7 million, or 44.5 percent, from the 2007-08 fiscal year due primarily to increased Federal Pell grants for students as a result of increased enrollment.
- Investment income decreased \$261 thousand as a result of a decline in market interest rates. Additional details of investments are presented in the notes to financial statements.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Capital Appropriations	\$ 9,048	\$ 11,001
Capital Grants, Contracts, Gifts, and Fees	932	642
Total	\$ 9,980	\$ 11,643

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

- Capital appropriations decreased by \$2 million from the 2007-08 fiscal year. This decrease is due to a reduction in PECO allocations received during the 2008-09 fiscal year, as the College completed construction of facilities.

- Capital grants, contracts, gifts, and fees increased \$290 thousand, or 45.2 percent, from the 2007-08 fiscal year due primarily to an increase in capital improvement fees brought about by the increase in student enrollment during the 2008-09 school year.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess the following:

- An entity’s ability to generate future net cash flows;
- Its ability to meet its obligations as they come due; and
- Its need for external financing.

A summary of the College’s cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (32,286)	\$ (33,079)
Noncapital Financing Activities	31,979	30,073
Capital and Related Financing Activities	2,769	3,297
Investing Activities	395	(25)
Net Increase in Cash and Cash Equivalents	2,857	266
Cash and Cash Equivalents, Beginning of Year	11,208	10,942
Cash and Cash Equivalents, End of Year	\$ 14,065	\$ 11,208

For the purpose of cash flows, cash equivalents include cash on hand and cash in demand accounts.

Major sources of funds came from State appropriations (\$20.2 million), net student tuition and fees (\$9 million), student aid grants and scholarships (\$12 million), and capital appropriations (\$13.2 million).

Major uses of funds were for payments to employees (\$22.2 million), payments for employee benefits (\$5.2 million), and payments to suppliers (\$9.8 million).

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

- The College’s cash and cash equivalents increased by \$2.9 million, or 25.5 percent, from the 2007-08 fiscal year, primarily due to an increase in cash received from capital appropriations.
- Noncapital financing activities increased \$1.9 million, or 6.3 percent, from the 2007-08 fiscal year due to an increase in student aid grants and scholarships of \$3.7 million, or 44.5 percent, from the 2007-08 fiscal year. The increase in student aid grants can be attributed to the increase in student enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$122 million in capital assets, less accumulated depreciation of \$41.7 million, for net capital assets of \$80.3 million. Depreciation charges for the current fiscal year totaled \$3.1 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 13,969	\$ 13,488
Buildings	85,914	81,977
Other Structures and Improvements	7,706	5,995
Furniture, Machinery, and Equipment	5,692	5,631
Assets Under Capital Leases	2,894	2,894
Construction in Progress	5,846	2,089
Total	<u>122,021</u>	<u>112,074</u>
Less, Accumulated Depreciation:		
Buildings	31,005	30,189
Other Structures and Improvements	5,234	4,796
Furniture, Machinery, and Equipment	4,555	4,151
Assets Under Capital Leases	878	728
Total Accumulated Depreciation	<u>41,672</u>	<u>39,864</u>
Capital Assets, Net	<u>\$ 80,349</u>	<u>\$ 72,210</u>

Capital asset additions during the 2008-09 fiscal year included the following:

- Land additions consisted of \$481 thousand in acquisition, appraisal, survey, and environmental assessment fees for the purchase of land in Levy County.
- Building additions included the complete remodeling of Founders Hall, formerly the Administration Building 1, on the Ocala Campus.

The College has construction contract commitments totaling \$2.7 million at June 30, 2009. The contract commitments are for the completion of the new Citrus Instructional Center located on the Citrus Campus. More detailed information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$3.1 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2009, and June 30, 2008:

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

	<u>2009</u>	<u>2008</u>
SBE Capital Outlay Bonds	\$ 610	\$ 685
Capital Leases	2,504	2,599
Total	<u>\$ 3,114</u>	<u>\$ 3,284</u>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and bond principal repayments totaled \$75 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

Central Florida Community College's economic condition is closely tied to that of the State of Florida. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services. The College is to receive \$1.6 million in economic stimulus funds through the State Fiscal Stabilization Funds for the 2009-10 fiscal year. This Federal grant money will be used to pay a portion of adjunct instructors' salaries during the 2009-10 school year.

In light of these uncertain economic times, the College will continue to closely monitor its financial position. If the economy continues its uncertainty and instability or if restoration of State funds does not occur in the near future, the Administration and Board of Trustees will be faced with challenges to make changes in order to keep the College financially sound.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Senior Vice-President, Central Florida Community College, 3001 S.W. College Road, P.O. Box 1388, Ocala, Florida 34478-1388.

BASIC FINANCIAL STATEMENTS

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,665,875	\$ 12,289,555
Restricted Cash and Cash Equivalents	1,813,491	
Investments	198,950	
Restricted Investments		118,449
Accounts Receivable	606,324	
Due from Other Governmental Agencies	2,508,358	
Due from Component Units	365,100	
Inventories	38,353	
Prepaid Expenses	70,789	162,678
Other Assets	10,000	226,133
Total Current Assets	<u>13,277,240</u>	<u>12,796,815</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,585,815	35,727
Restricted Investments	39,640	600,000
Endowment Investments		26,689,123
Other Investments		1,060,771
Due From Component Units	860,852	
Depreciable Capital Assets, Net	60,534,101	4,553,164
Nondepreciable Capital Assets	19,814,802	17,278,439
Other Assets		781,643
Total Noncurrent Assets	<u>85,835,210</u>	<u>50,998,867</u>
TOTAL ASSETS	<u>\$99,112,450</u>	<u>\$63,795,682</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,746,594	\$ 138,365
Salary and Payroll Taxes Payable	1,003,024	
Retainage Payable	350,685	
Due to Other Governmental Agencies	1,506	
Due to College		286,833
Deferred Revenue	292,823	157,985
Accrued Loss on Interest Rate Collar		181,934
Deposits Held for Others	520,904	59,320
Line of Credit Payable		41,615
Long-Term Liabilities - Current Portion:		
Bonds Payable	80,000	285,000
Capital Leases Payable	104,193	
Compensated Absences Payable	226,704	
Other Long-Term Liabilities		37,469
Total Current Liabilities	<u>4,326,433</u>	<u>1,188,521</u>
Noncurrent Liabilities:		
Bonds Payable	530,000	2,875,000
Loan Payable to College		828,841
Capital Leases Payable	2,399,835	
Compensated Absences Payable	2,525,224	
Other Postemployment Benefits Payable	64,241	
Other Long-Term Liabilities		116,362
Total Noncurrent Liabilities	<u>5,519,300</u>	<u>3,820,203</u>
TOTAL LIABILITIES	<u>9,845,733</u>	<u>5,008,724</u>

CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	<u>College</u>	<u>Component Units</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 77,234,875	\$ 18,629,947
Restricted:		
Nonexpendable:		
Endowment		32,274,735
Expendable:		
Grants and Loans	814,303	3,193,091
Scholarships	190,462	
Capital Projects	5,594,033	
Debt Service	22,337	
Unrestricted	<u>5,410,707</u>	<u>4,689,185</u>
Total Net Assets	<u>89,266,717</u>	<u>58,786,958</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 99,112,450</u>	<u>\$ 63,795,682</u>

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

CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$5,544,556	\$ 8,679,813	\$
Federal Grants and Contracts	2,298,748	
State and Local Grants and Contracts	262,394	
Nongovernmental Grants and Contracts	423,105	2,317,239
Sales and Services of Educational Departments	1,010,563	
Auxiliary Enterprises	304,345	
Other Operating Revenues	1,550,193	1,429,646
	14,529,161	3,746,885
EXPENSES		
Operating Expenses:		
Personnel Services	27,713,460	
Scholarships and Waivers	7,517,668	801,713
Utilities and Communications	2,450,182	
Contractual Services	2,985,346	495,231
Other Services and Expenses	3,631,489	2,193,981
Materials and Supplies	4,036,732	167,089
Depreciation	3,084,963	177,196
	51,419,840	3,835,210
Operating Loss	(36,890,679)	(88,325)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	20,217,935	
Grants and Scholarships - Student Aid	11,973,869	
Investment Income (Loss)	94,514	(11,745,859)
Other Nonoperating Revenues	163,355	7,897
Interest on Capital Asset-Related Debt	(171,477)	(150,090)
	32,278,196	(11,888,052)
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,612,483)	(11,976,377)
Capital Appropriations	9,047,655	
Capital Grants, Contracts, Gifts, and Fees	932,312	
Additions to Permanent Endowments		886,823
	9,979,967	886,823
Total Other Revenues	9,979,967	886,823
Increase (Decrease) in Net Assets	5,367,484	(11,089,554)
Net Assets, Beginning of Year	83,899,233	69,876,512
Net Assets, End of Year	\$ 89,266,717	\$ 58,786,958

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

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 9,004,799
Grants and Contracts	3,016,502
Payments to Suppliers	(9,806,854)
Payments for Utilities and Communications	(2,450,182)
Payments to Employees	(22,196,057)
Payments for Employee Benefits	(5,189,665)
Payments for Scholarships	(7,517,668)
Auxiliary Enterprises	304,345
Sales and Service of Educational Departments	1,010,563
Other Receipts	1,538,217
Net Cash Used by Operating Activities	(32,286,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	20,217,935
Gifts and Grants - Student Aid	11,984,063
Student Direct Lending Receipts	7,934,227
Student Direct Lending Disbursements	(7,934,227)
Other Nonoperating Disbursements	(222,511)
Net Cash Provided by Noncapital Financing Activities	31,979,487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	13,184,404
Capital Grants, Contracts, Gifts, and Fees	932,312
Proceeds from Sale of Capital Assets	1,523
Purchases of Capital Assets	(11,007,689)
Principal Paid on Capital Debt and Leases	(169,881)
Interest Paid on Capital Debt and Leases	(171,477)
Net Cash Provided by Capital and Related Financing Activities	2,769,192
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	72,363
Investment Income	322,960
Net Cash Provided by Investing Activities	395,323
Net Increase in Cash and Cash Equivalents	2,858,002
Cash and Cash Equivalents, Beginning of Year	11,207,179
Cash and Cash Equivalents, End of Year	\$ 14,065,181

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (36,890,679)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,084,963
Changes in Assets and Liabilities:	
Receivables	302,299
Due From Other Governmental Agencies	(74,176)
Inventories	(297)
Prepaid Expenses	5,275
Accounts Payable	822,045
Salaries and Payroll Taxes Payable	41,033
Due To Other Governmental Agencies	438
Deferred Revenue	209,859
Deposits Held for Others	(73,464)
Compensated Absences Payable	254,558
Other Postemployment Benefits Payable	32,146
	\$ (32,286,000)
NET CASH USED BY OPERATING ACTIVITIES	

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY

During the 2008-09 fiscal year, the College recognized unrealized losses of \$228,446 on investing activities. The unrealized losses were recognized as reductions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Central Florida Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of 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 *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

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

The Foundation and the Center are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The Foundation's and the Center's financial data reported on the accompanying financial statements was derived from their respective audited financial statements for the fiscal year ended December 31, 2008. In the 2007-08 fiscal year, the Center changed its fiscal year from July through June to January through December, and the financial statements were presented for a six-month period. This affects the comparability of amounts reported on the statement of revenues, expenditures, and changes in net assets for the aggregate discretely

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

presented component units' column for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

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

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Foundation follows GASB standards of accounting and financial reporting and the Center follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

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

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 for the College as cash and cash equivalents consists of cash on hand and cash in demand accounts. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

Cash and Cash Equivalents – Component Units. The amount reported for the component units as cash and cash equivalents consists of cash, money market accounts, and highly liquid fixed income investments with original maturities of three months or less. Cash deposits in excess of Federal Depositors Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not insured by the FDIC. The total amount of cash balances held at financial institutions or in brokerage accounts at December 31, 2008, was \$11,731,504.

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

- Buildings – 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 Leases – 15 and 20 years

Land, buildings, and equipment of the Foundation are stated at cost except for donated property, which is stated at fair market value or replacement cost on the date of donation, and is net of accumulated depreciation of \$1,584,715. 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.

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The Center capitalizes all property and equipment with a cost of greater than \$500 and an estimated useful life exceeding one year. Property and equipment is depreciated from three to seven years using the straight-line method. As of December 31, 2008, all property and equipment, totaling \$4,592, is totally depreciated.

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

2. INVESTMENTS

College Investments

The College’s Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College’s investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 216,253
State Board of Administration Debt Service Accounts	<u>22,337</u>
Total College Investments	<u><u>\$ 238,590</u></u>

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

At June 30, 2009, the College reported investments at fair value of \$216,253 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments at fair value totaling \$22,337 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education 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 State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units' Investments

The Central Florida Community College Foundation, Inc.'s (Foundation), investments include endowed investments of \$26,689,123 in United States Government securities, and corporate debt securities and equities, reported at fair value based on quoted market prices, and real estate agreements of \$1,060,771 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's investment policy does not apply to the Appleton Museum Family Endowment and the Edith

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Appleton Endowment, which are managed and governed by a trust company based on guidelines established by the Appleton family.

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

Investment	Weighted-Average Maturity or Duration	Credit Quality Rating	Fair Value
Appleton Museum Family Endowment:			
U.S. Treasury Notes	11.3 years	Aaa	\$ 191,726
Government Agency Bonds	11.3 years	Aaa	377,758
Corporate Bonds	11.3 years	A	334,431
Corporate Bonds	11.3 years	Baa	48,970
Corporate Bonds Fund	11.3 years	Unrated	82,134
Equities	(1)	(1)	5,829,225
Hedge Fund	(1)	(1)	444,686
Global Real Estate	(1)	(1)	31,788
Commodities	(1)	(1)	35,260
Accruals	(1)	(1)	10,724
Cash	(1)	(1)	432,547
Edith Appleton Endowment:			
U.S. Treasury Notes	9.3 Years	Aaa	221,851
Government Agency Bonds	9.3 Years	Aaa	403,401
Corporate Bond	9.3 Years	Aa	75,346
Corporate Bonds	9.3 Years	A	124,429
Corporate Bond Fund	9.3 Years	Unrated	137,704
Equities	(1)	(1)	917,851
Hedge Fund	(1)	(1)	74,119
Global Real Estate	(1)	(1)	15,258
Commodities	(1)	(1)	10,578
Accruals	(1)	(1)	9,098
Cash	(1)	(1)	299,669
Other Endowed Investments:			
U.S. Treasury Notes	3.37 Years	AAA	2,450,155
Government Agency Bonds	3.39 Years	AAA	2,249,667
Corporate Bonds	4.43 Years	AA	2,316,738
Corporate Bonds	3.65 Years	A	1,930,821
Corporate Bonds	0.67 Years	BB	549,580
Equities	(1)	(1)	5,194,572
Structured Note	1.80 Years	AA	1,383,010
Cash	(1)	(1)	506,027
Total Component Unit Endowment Investments			<u>\$ 26,689,123</u>

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

Interest Rate Risk:

- Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted-average maturity method is used to determine the interest

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

rate risk for the Appleton Museum Family Endowment and the Edith Appleton Endowment, and the duration method is used for the other endowed investments.

Credit Risk:

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

Custodial Credit Risk:

- Custodial credit risk is the risk that, in the event of failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
 - Appleton Museum Family Endowment and Edith Appleton Endowment – All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.
 - Other Endowed Investments – All investments are held in counterparty accounts as custodian for the Foundation.

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 7 percent of the portfolio.
 - There is no concentration of credit risk with the Appleton Museum Family Endowment, the Edith Appleton Endowment, or other endowed investment portfolios.

The Appleton Cultural Center, Inc., endowment investments are carried at market value and consist of mutual funds invested in United States Government securities totaling \$718,449 at December 31, 2008.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and uncollected commissions from bookstore and vending machine sales. Accounts receivables totaling \$214,606 considered uncollectible were written-off during the 2008-09 fiscal year. Accordingly, receivables reported at June 30 are considered fully collectable and therefore, no allowance for uncollectable accounts has been recognized.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,960,243 of Public Education Capital Outlay allocations due from the State for construction and for remodeling, renovation, maintenance, and repair of College facilities and \$323,539 due from the Federal Government for contracts and grants expenditure reimbursements.

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

5. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The College's financial statements are reported for the fiscal year ended June 30, 2009, and the financial statements of the component units are reported for the fiscal year ended December 31, 2008. Accordingly, on the statement of net assets, the amount (noncurrent) due from the component units reported by the College of \$860,852, which represents advances provided to the Foundation by the College pursuant to a limited pledge agreement as explained in note 9, does not agree with the amount (noncurrent) loan payable to the College reported by the Foundation of \$828,841. Similarly, on the statement of net assets, the amount (current) due from the component units of \$365,100 reported by the College does not agree with the amount (current) due to the College reported by the component units of \$286,833.

6. INVENTORIES

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

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 13,488,095	\$ 481,185	\$	\$ 13,969,280
Construction in Progress	2,089,160	5,737,844	1,981,482	5,845,522
Total Nondepreciable Capital Assets	\$ 15,577,255	\$ 6,219,029	\$ 1,981,482	\$ 19,814,802
Depreciable Capital Assets:				
Buildings	\$ 81,976,808	\$ 5,101,017	\$ 1,164,253	\$ 85,913,572
Other Structures and Improvements	5,995,299	1,711,254		7,706,553
Furniture, Machinery, and Equipment	5,630,758	173,836	112,691	5,691,903
Assets Under Capital Lease	2,894,386			2,894,386
Total Depreciable Capital Assets	96,497,251	6,986,107	1,276,944	102,206,414
Less, Accumulated Depreciation:				
Buildings	30,188,526	1,980,742	1,164,253	31,005,015
Other Structures and Improvements	4,795,980	437,899		5,233,879
Furniture, Machinery, and Equipment	4,151,358	516,769	112,691	4,555,436
Assets Under Capital Lease	728,430	149,553		877,983
Total Accumulated Depreciation	39,864,294	3,084,963	1,276,944	41,672,313
Total Depreciable Capital Assets, Net	\$ 56,632,957	\$ 3,901,144	\$	\$ 60,534,101

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Capital asset activity of the Foundation and Center (component units) for the fiscal year ended December 31, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 459,640	\$	\$	\$ 459,640
Works of Art and Historical Treasures	16,818,799			16,818,799
Total Nondepreciable Capital Assets	\$ 17,278,439	\$	\$	\$ 17,278,439
Depreciable Capital Assets:				
Buildings	\$ 6,063,065	\$	\$	\$ 6,063,065
Furniture, Machinery, and Equipment	79,406			79,406
Total Depreciable Capital Assets	6,142,471			6,142,471
Less, Accumulated Depreciation:				
Buildings	1,370,801	158,579		1,529,380
Furniture, Machinery, and Equipment	53,337	6,590		59,927
Total Accumulated Depreciation	1,424,138	165,169		1,589,307
Total Depreciable Capital Assets, Net	\$ 4,718,333	\$ (165,169)	\$	\$ 4,553,164

Note: Depreciation expense reported on the statement of revenues, expenses, and changes in net assets includes \$12,027 in amortized bond issue costs related to construction of a student housing facility and an office building.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 685,000	\$	\$ 75,000	\$ 610,000	\$ 80,000
Capital Leases Payable	2,598,909		94,881	2,504,028	104,193
Compensated Absences Payable	2,497,370	417,795	163,237	2,751,928	226,704
Other Postemployment Benefits Payable	32,095	35,115	2,969	64,241	
Total Long-Term Liabilities	\$ 5,813,374	\$ 452,910	\$ 336,087	\$ 5,930,197	\$ 410,897

Long-term liabilities of the Foundation (component unit) consist of bonds payable, loan payable to the College, and other long-term liabilities. The long-term liabilities activity for the Foundation for the fiscal year ended December 31, 2008, is shown below:

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Industrial Revenue Bonds:					
Student Housing Bonds	\$ 1,670,000	\$	\$ 215,000	\$ 1,455,000	\$ 225,000
Enterprise Center Revenue Bonds	1,755,000		50,000	1,705,000	60,000
Loan Payable to College	767,512	61,329		828,841	
Other Long-Term Liabilities	161,535	25,024	32,728	153,831	37,469
Total Long-Term Liabilities	\$ 4,354,047	\$ 86,353	\$ 297,728	\$ 4,142,672	\$ 322,469

Bonds Payable – College. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2002B	\$ 315,000	4.0 - 5.375	2015
Series 2005A	295,000	5.0	2017
Total Bonds Payable	\$ 610,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 80,000	\$ 30,925	\$ 110,925
2011	85,000	26,756	111,756
2012	90,000	22,319	112,319
2013	95,000	18,369	113,369
2014	105,000	13,394	118,394
2015-2017	155,000	12,169	167,169
Total	\$ 610,000	\$ 123,932	\$ 733,932

Bonds Payable – Foundation (Component Unit). Bonds payable of the Foundation at December 31, 2008, consist of the following:

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- 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. Annual requirements to amortize the Industrial Revenue Bonds, Series 1994, are as follows:

Year Ending December 31	Industrial Revenue Bonds, Series 1994		
	Principal	Interest	Total
2009	\$ 225,000	\$ 66,640	\$ 291,640
2010	245,000	55,692	300,692
2011	260,000	43,792	303,792
2012	275,000	31,297	306,297
2013	290,000	18,088	308,088
2014	160,000	3,808	163,808
Total	\$ 1,455,000	\$ 219,317	\$ 1,674,317

- Enterprise Center Revenue Bonds, Series 2003A1. In May 2003, the Foundation issued \$2 million of tax-exempt Industrial Development Revenue Bonds, Series 2003A1, through the City of Ocala, Florida, to construct a 25,400 square foot office building known as the Enterprise Center, for lease on the Ocala Campus of the College. Interest rate is variable (Bond Market Association (BMA) Index). Interest payments are due monthly and principal payments are due annually. The bonds are secured by a first mortgage on real property; first lien on personal property; and assignment of rents, contracts, and leases. Annual requirements to amortize the Enterprise Center Revenue Bonds, Series 2003A1, are as follows:

Year Ending December 31	Enterprise Center Revenue Bonds, Series 2003A1		
	Principal	Interest	Total
2009	\$ 60,000	\$ 75,150	\$ 135,150
2010	60,000	72,450	132,450
2011	75,000	69,356	144,356
2112	75,000	65,981	140,981
2113	80,000	62,475	142,475
2014-2018	570,000	239,693	809,693
2019-2023	645,000	102,994	747,994
2024	140,000	2,625	142,625
Total	\$ 1,705,000	\$ 690,724	\$ 2,395,724

- Derivative Instrument. Effective November 1, 2006, the Foundation entered into a derivative instrument, an interest rate collar with a notational amount of \$1,835,000, with a local bank and a counterparty whereby the local bank has agreed to pay any interest owed by the Foundation on the Enterprise Center Revenue Bonds, Series 2003A1, in excess of 4.5 percent annually.

- *Objective.* The Foundation entered into the transaction for the purpose of hedging against the risks associated with changing interest rates on the debt since interest on the debt is tied to the BMA Index (based on short-term, tax-exempt variable rate bonds).

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- *Terms:* The derivative instrument is a 10-year swap transaction with an interest rate collar having a maximum interest rate of 4.5 percent and a minimum interest rate of 3.9 percent. The swap's notational amount of \$1,835,000 matched the principal balance outstanding of the variable rate debt when the agreement was executed. The swap agreement expires November 1, 2016. Annual payments and the outstanding swap obligations are as follows:

Year Ending December 31	Swap Notational Amount	
	Payment	Balance
2009	\$ 60,000	\$ 1,645,000
2010	60,000	1,585,000
2011	75,000	1,510,000
2012	75,000	1,435,000
2013	80,000	1,355,000
2014-2016	330,000	1,025,000
Total	\$ 680,000	

- *Fair Value:* As of December 31, 2008, the fair market value of the collar, as provided by the counterparty, was an accrued loss of \$181,934. The fair value was determined by the counterparty and was based on the counterparty's valuation models and assumptions and available market data. The unrealized loss has been reflected in the Foundation's statement of revenues, expenses, and changes in net assets as a change in value of interest rate collar.
- *Credit Risk:* SunTrust Bank is the counterparty in the transaction executed by SunTrust Robinson Humphrey/SunTrust Capital Markets. The long-term rating of SunTrust Bank is Aa2/AA by Standard & Poor's and Moody's. The derivative transaction is cross-collateralized to SunTrust Letter of Credit.
- *Basis Risk:* The Foundation is exposed to the difference between the rate on the variable rate bonds and the floating rate received from the swap counterparty. The Enterprise Center Revenue Bonds, Series 2003A1, are tied to the BMA Index, which is the market benchmark for short-term, tax exempt rates, and those of the derivative are tied to the BMA Municipal Swap Index which is a market basket index of over 200 active high-grade, governmental, tax-exempt, variable rate demand obligation bonds with weekly interest resets. Although the rates are similar, there can be a spread between the two indexes.
- *Rollover Risk:* The Foundation is exposed to rollover risk on the swap since the agreement terminates prior to payment of all principal on the associated debt. When the swap terminates, the Foundation will not be protected should interest rates on the variable rate BMA Index exceed 4.5 percent.

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

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

coverage requirements for this project have been met. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized, noninterest bearing advance for amounts provided by the College to assist with unfunded debt service and operating costs associated with the student housing facility. The payable to the College was increased \$61,329 for additional payments made by the College on behalf of the Foundation for the student housing facility.

Capital Leases Payable. The College acquired energy saving equipment in the amount of \$2,894,386 under two capital leases. The stated interest rate on the first agreement is 5.249 percent, subject to adjustment to 180 basis points over the 10-year United States Treasury note rate, to a maximum of 7 percent. The imputed interest rate on the second agreement is 6.345 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 236,358
2011	240,358
2012	246,358
2013	252,358
2014	258,358
2015-2019	1,320,390
2020-2024	1,052,601
Total Minimum Payments	3,606,781
Less, Amount Representing Interest	1,102,753
Present Value of Minimum Payments	\$2,504,028

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,751,928. Of this amount, \$226,704 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability was based on the actual payout for sick and annual leave for the last six years divided by the previous fiscal year's

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

total compensated absences balance. The percentages were then averaged, and the resulting percentage was applied to the June 30, 2009, compensated absences balance to determine the current portion.

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

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

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is funded on a pay-as-you-go basis. For the 2008-09 fiscal year, 67 retirees received postemployment healthcare benefits, and 43 retirees received postemployment life insurance benefits. The College provided required contributions of \$2,969 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 \$274,349.

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 Governmental Accounting Standards Board 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

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 25,027
Amortization of Unfunded Actuarial Accrued Liability	10,195
Interest on Normal Cost and Amortization	
Annual Required Contribution	35,222
Interest on Net OPEB Obligation	963
Adjustment to Annual Required Contribution	(1,070)
Annual OPEB Cost (Expense)	35,115
Contribution Toward the OPEB Cost	(2,969)
Increase in Net OPEB Obligation	32,146
Net OPEB Obligation, Beginning of Year	32,095
Net OPEB Obligation, End of Year	\$ 64,241

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2009, and for the current and transition years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007			\$
2007-08	\$ 35,222	-8.9%	32,095
2008-09	35,115	8.5%	64,241

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$233,608, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$233,608, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$27,713,460 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0.84 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.

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the 2007-08 and 2008-09 fiscal years' ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially, reduced by 1 percent per year for two years, then one-half percent per year thereafter, to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized using the level dollar method over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

9. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,254,560, \$1,312,180, and \$1,352,456, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 117

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$368,149.

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

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

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

There were 26 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$150,255.

10. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2009, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Citrus Instructional Center:			
Architect	\$ 719,233	\$ 657,986	\$ 61,247
General Contractor	5,811,487	3,917,247	1,894,240
General Construction, Direct Purchases	1,969,911	1,270,289	699,622
Total	\$ 8,500,631	\$ 5,845,522	\$ 2,655,109

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and \$175 million effective March 2009. Insurance coverage obtained through the Consortium included employee group health and hospitalization, life, dental, and long-term disability coverage; fire and extended property; general and automobile liability; workers' compensation; and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

12. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

**CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 17,698,265
Gross Receipts Tax (Public Education Capital Outlay)	8,833,763
Education Enhancement Trust Fund (Lottery)	2,486,271
Bright Futures Scholarship Program	1,817,558
Florida Student Assistance Grants	1,152,493
Motor Vehicle License Tax (Capital Outlay and Debt Service)	213,892
Restricted Contracts and Grants	171,388
Other State Sources	47,961
Total	<u><u>\$ 32,421,591</u></u>

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 15,480,668
Public Services	425,698
Academic Support	3,282,203
Student Services	3,888,358
Institutional Support	8,962,953
Operation and Maintenance of Plant	10,813,518
Scholarships and Fellowships	5,126,808
Depreciation	3,084,963
Auxilliary Enterprises	354,671
Total Operating Expenses	<u><u>\$ 51,419,840</u></u>

14. COMPONENT UNITS

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

CENTRAL FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

	Central Florida Community College Foundation, Inc. 12-31-08	The Appleton Cultural Center, Inc. 12-31-08	Total
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 12,561,038	\$ 235,777	\$ 12,796,815
Capital Assets, Net	21,831,603		21,831,603
Other Noncurrent Assets	28,567,264	600,000	29,167,264
Total Assets	62,959,905	835,777	63,795,682
Liabilities:			
Current Liabilities	1,187,229	1,292	1,188,521
Noncurrent Liabilities	3,820,203		3,820,203
Total Liabilities	5,007,432	1,292	5,008,724
Net Assets:			
Invested in Capital Assets, Net of Related Debt	18,629,947		18,629,947
Restricted	34,633,341	834,485	35,467,826
Unrestricted	4,689,185		4,689,185
Total Net Assets	\$ 57,952,473	\$ 834,485	\$ 58,786,958
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 3,746,885	\$	\$ 3,746,885
Operating Expenses	(3,830,838)	(4,372)	(3,835,210)
Operating Loss	(83,953)	(4,372)	(88,325)
Net Nonoperating Revenues (Expenses)	(11,970,573)	82,521	(11,888,052)
Other Revenues	886,823		886,823
Increase (Decrease) in Net Assets	(11,167,703)	78,149	(11,089,554)
Net Assets, Beginning of Year	69,120,176	756,336	69,876,512
Net Assets, End of Year	\$ 57,952,473	\$ 834,485	\$ 58,786,958



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of Central Florida Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Appleton Cultural Center, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

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

Respectfully submitted,



David W. Martin, CPA
March 19, 2010