

# VALENCIA COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2011



## BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Raymer F. Maguire, III, Vice Chair to 7-19-10, Chair from 7-20-10 (1)	Orange
Bertica M. Cabrera-Morris, Vice Chair from 7-20-10	Orange
Lewis M. Oliver, III, Chair to 7-19-10	Orange
Jerry D. Buchanan	Orange
Lori Kifer Johnson	Orange
Maria C. Grulich Toumazos	Osceola
Jo Quittschreiber	Osceola
Vacant (2)	Osceola

Dr. Sanford C. Shugart, President

- Notes: (1) Board member served beyond the end of term, May 31, 2010.  
(2) Position remained vacant from July 1, 2010, through June 30, 2011.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was John E. Rebhann, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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VALENCIA COMMUNITY COLLEGE  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

Our audit objectives were to determine whether Valencia 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, 2011. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Valencia Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit 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 report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valencia Community College and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
March 15, 2012

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements are the responsibility of College management. The MD&A contains financial activity of the College for fiscal years ended June 30, 2010, and June 30, 2011, and its component unit, Valencia Community College Foundation, Inc., for the fiscal years ended March 31, 2010, and March 31, 2011.

**COLLEGE NAME CHANGE**

The College’s Board of Trustees approved the name change from Valencia Community College to Valencia College effective July 1, 2011, pursuant to Section 1001.60(2)(b), Florida Statutes.

**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$317.6 million at June 30, 2011. The majority of these assets are in physical plant. Total assets reflect a \$51.9 million, or 19.5 percent, increase from the 2009-10 fiscal year. While assets grew, liabilities increased by a lesser amount of \$4.6 million, or 24.2 percent, totaling \$23.4 million at June 30, 2011, compared to \$18.8 million at June 30, 2010. As a result, the College’s net assets increased by \$47.3 million, or 19.2 percent, reaching a year-end balance of \$294.3 million.

<b>Net Assets: College</b>		
<b>(In Thousands)</b>		
	<u>6-30-11</u>	<u>6-30-10</u>
Total Assets	\$ 317,643	\$ 265,735
Total Liabilities	<u>23,381</u>	<u>18,818</u>
<b>Total Net Assets</b>	<b><u>\$ 294,262</u></b>	<b><u>\$ 246,917</u></b>

The College’s revenues totaled \$278.7 million for the 2010-11 fiscal year, representing a 26.5 percent increase over the 2009-10 fiscal year. Operating expenses totaled \$231.2 million for the 2010-11 fiscal year, representing an increase of 10 percent over the 2009-10 fiscal year.

<b>Revenues: College</b>		
<b>(In Thousands)</b>		
	<u>6-30-11</u>	<u>6-30-10</u>
Operating Revenues	\$ 62,247	\$ 63,520
Nonoperating Revenues	170,469	142,763
Capital Revenues	<u>45,970</u>	<u>14,013</u>
<b>Total Revenues</b>	<b><u>\$ 278,686</u></b>	<b><u>\$ 220,296</u></b>

## 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:

- Valencia 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.
- Valencia Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. The Foundation's fiscal year differs from the College and covers the period April through March.

### 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 Valencia 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 Valencia Community College's operating results.

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

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

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

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

	College		Component Unit	
	6-30-11	6-30-10	3-31-11	3-31-10
<b>Assets</b>				
Current Assets	\$ 102,703	\$ 62,465	\$ 10,124	\$ 10,313
Capital Assets, Net	182,488	185,567	3,180	3,225
Other Noncurrent Assets	32,452	17,703	53,944	47,873
<b>Total Assets</b>	<u>317,643</u>	<u>265,735</u>	<u>67,248</u>	<u>61,411</u>
<b>Liabilities</b>				
Current Liabilities	11,005	9,030	951	695
Noncurrent Liabilities	12,376	9,788		
<b>Total Liabilities</b>	<u>23,381</u>	<u>18,818</u>	<u>951</u>	<u>695</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	179,498	182,317	3,181	
Restricted	76,332	39,269	59,329	59,546
Unrestricted	38,432	25,331	3,787	1,170
<b>Total Net Assets</b>	<u>\$ 294,262</u>	<u>\$ 246,917</u>	<u>\$ 66,297</u>	<u>\$ 60,716</u>
<b>Increase in Net Assets</b>	<u>\$ 47,345</u>	19.2%	<u>\$ 5,581</u>	9.2%

Noncapital assets increased by \$55 million due to the acquisition of funding sources to complete the construction of Osceola Campus Building 4 and Lake Nona Campus Building 1. Assets designated for Osceola Campus Building 4 construction recognized in the current fiscal year that will not be expended until future fiscal years include a Public Education and Capital Outlay (PECO) appropriation of \$21.7 million, bond proceeds of \$3.4 million, and a capital contribution from the University of Central Florida (UCF) of \$7.5 million in exchange for building space to serve UCF students at the Osceola campus. Student capital fee revenues of \$7.3 million collected in the 2010-11 fiscal year and \$3.4 million of proceeds from the State Board of Education issuance of Capital Outlay Bonds, Series 2010A, will provide funding for the construction of Lake Nona Campus Building 1 in the 2011-12 fiscal year. Local funds are expected to finance the remaining construction of the building.

Net capital assets decreased by \$3.1 million because the increase in accumulated depreciation exceeded capital acquisitions in the 2010-11 fiscal year.

Total current liabilities increased due to an increase in salaries and payroll taxes payable of \$2 million, primarily due to a \$1 million increase in health insurance premiums payable as a result of a timing difference in the remittance of the monthly payment between fiscal years, and a \$0.6 million increase in retirement incentive payable. The increase in noncurrent liabilities was due to a new issuance of State Board of Education capital outlay bonds, as described under "Debt Administration".

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

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

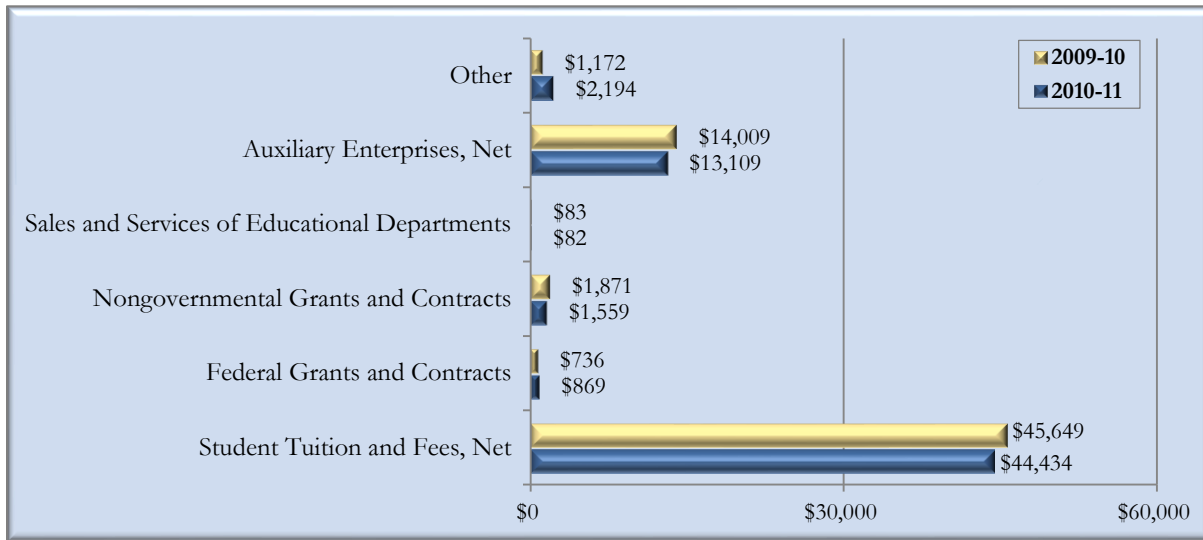
	College		Component Unit	
	6-30-11	6-30-10	3-31-11	3-31-10
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 44,434	\$ 45,649	\$	\$
Federal Grants and Contracts	869	736		
State and Local Grants and Contracts			120	123
Nongovernmental Grants and Contracts	1,559	1,871	2,336	4,139
Sales and Services of Educational Departments	82	83		
Auxiliary Enterprises, Net of Scholarship Allowances	13,109	14,009		
Other Operating Revenues	2,194	1,172	773	830
<b>Total Operating Revenues</b>	<b>62,247</b>	<b>63,520</b>	<b>3,229</b>	<b>5,092</b>
Less, Operating Expenses	231,151	210,097	2,943	3,505
<b>Operating Income (Loss)</b>	<b>(168,904)</b>	<b>(146,577)</b>	<b>286</b>	<b>1,587</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	62,483	57,657		
Other Nonoperating Revenues	107,986	85,106	5,918	9,855
Nonoperating Expenses	(190)	(171)		(138)
<b>Net Nonoperating Revenues</b>	<b>170,279</b>	<b>142,592</b>	<b>5,918</b>	<b>9,717</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,375</b>	<b>(3,985)</b>	<b>6,204</b>	<b>11,304</b>
State Capital Appropriations	31,132	2,291		
Capital Grants, Contracts, Gifts, and Fees	14,838	11,722		
<b>Increase in Net Assets</b>	<b>47,345</b>	<b>10,028</b>	<b>6,204</b>	<b>11,304</b>
Net Assets, Beginning of Year	246,917	236,889	60,716	49,412
Adjustment to Beginning Net Assets (1)			(623)	
<b>Net Assets, Beginning of Year, as Restated</b>	<b>246,917</b>	<b>236,889</b>	<b>60,093</b>	<b>49,412</b>
<b>Net Assets, End of Year</b>	<b>\$ 294,262</b>	<b>\$ 246,917</b>	<b>\$ 66,297</b>	<b>\$ 60,716</b>

### Operating Revenues

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

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

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



Total operating revenues decreased overall by \$1.3 million, or 2 percent, because the amount of scholarship allowance, which is netted against tuition, increased more than the student tuition revenue generated from enrollment and fee increases due to a greater number of financial aid recipients.

**Operating Expenses**

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

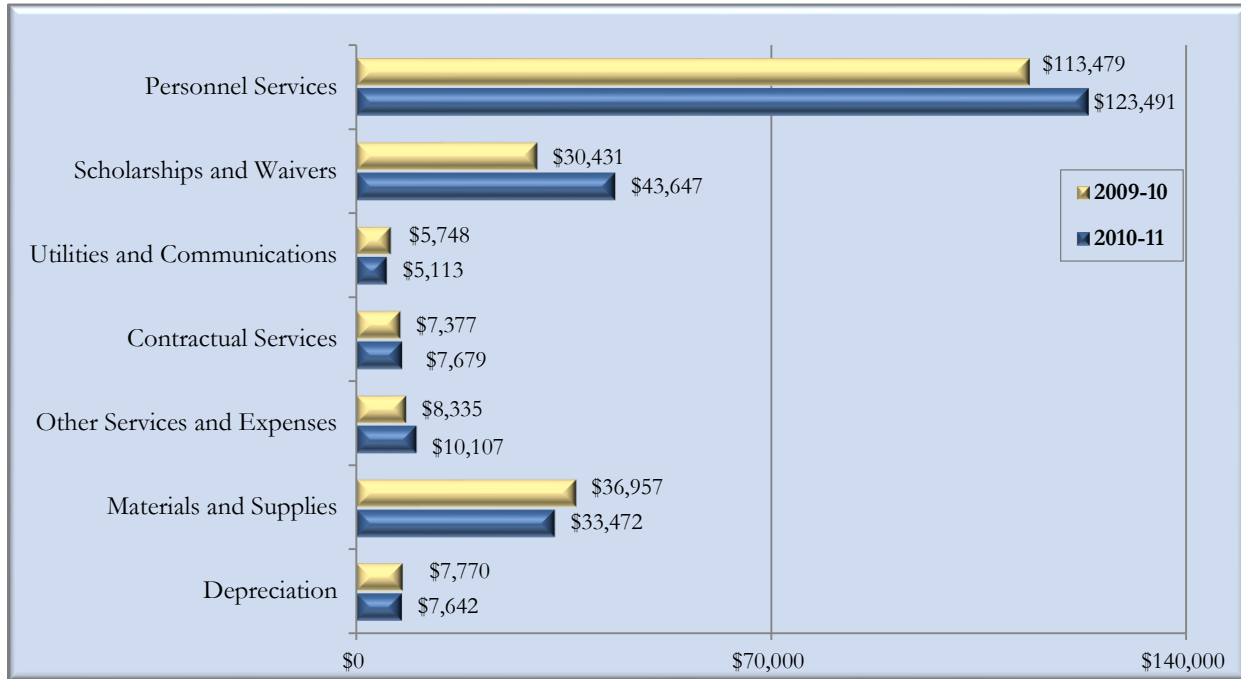
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	3-31-11	3-31-10
<b>Operating Expenses</b>				
Personnel Services	\$ 123,491	\$ 113,479	\$ 743	\$ 369
Scholarships and Waivers	43,647	30,431	1,717	2,367
Utilities and Communications	5,113	5,748		2
Contractual Services	7,679	7,377	27	43
Other Services and Expenses	10,107	8,335	392	648
Materials and Supplies	33,472	36,957	18	28
Depreciation	7,642	7,770	46	48
<b>Total Operating Expenses</b>	<b>\$ 231,151</b>	<b>\$ 210,097</b>	<b>\$ 2,943</b>	<b>\$ 3,505</b>

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

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



Operating expenses for the College increased \$21.1 million, or 10 percent, compared to the prior fiscal year as a result of the following factors:

- Salary and related benefit expenses increased \$10 million primarily due to the addition of 13 faculty and 26 staff positions needed as a direct result of a steady rise in student enrollment over the previous fiscal years. Additionally, full-time administrative and professional employees on a twelve-month contract received a 3 percent increase.
- Scholarship expense increased by \$13.2 million because of a 27.8 percent increase in the number of students receiving Pell Grants. Furthermore, the overall amount of Pell awards increased by 35.9 percent, but the scholarship allowance amount, which offsets the total award, increased by only 21.3 percent, resulting in a net increase in scholarship expense.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

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

	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 62,483	\$ 57,657
Gifts and Grants	106,724	84,237
Investment Income	596	407
Other Nonoperating Revenues	666	462
Nonoperating Expenses	<u>(190)</u>	<u>(171)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 170,279</u></b>	<b><u>\$ 142,592</u></b>

Net nonoperating revenues increased by \$27.7 million, or 19.4 percent, primarily due to an increase in student financial aid of \$16.6 million as a result of enrollment growth, the number of eligible participants qualifying for financial aid, and year-round Pell awards.

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

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

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

	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$ 31,132	\$ 2,291
Capital Grants, Contracts, Gifts, and Fees	<u>14,838</u>	<u>11,722</u>
<b>Total</b>	<b><u>\$ 45,970</u></b>	<b><u>\$ 14,013</u></b>

Other revenues increased by \$32 million, or 228.1 percent, because of a significant increase in PECO capital appropriations for new construction received in the 2010-11 fiscal year, including \$21.7 million appropriated for the construction of Osceola Campus Building 4.

**THE STATEMENT OF CASH FLOWS**

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

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

A summary of the College’s cash flows for the 2010-11 and 2009-10 fiscal years is presented in the following table:

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

	<u>2010-11</u>	<u>2009-10</u>
Cash Provided (Used) by:		
Operating Activities	\$ (161,202)	\$ (140,433)
Noncapital Financing Activities	169,253	141,879
Capital and Related Financing Activities	19,359	12,616
Investing Activities	<u>322</u>	<u>5,868</u>
<b>Net Increase in Cash and Cash Equivalents</b>	27,732	19,930
Cash and Cash Equivalents, Beginning of Year	<u>61,834</u>	<u>41,904</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 89,566</u>	<u>\$ 61,834</u>

The major sources of operating activities funds came from net student tuition and fees (\$44.2 million), and bookstore receipts (\$12.1 million). State noncapital appropriations (\$62.5 million), and grants and contracts (\$106.7 million) are the primary sources of funds for noncapital financing activities. Capital appropriations from the State's PECO program, student capital improvement fee, capital contribution from UCF, and bond proceeds (refer to the Debt Administration section for more detail) account for most of the cash provided for capital and related financing activities. Major uses of cash in operating activities were due to payment of employee salaries and benefits (\$121 million) and payments to suppliers (\$51.3 million).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2011, the College had \$269.3 million in capital assets, less accumulated depreciation of \$86.8 million, for net capital assets of \$182.5 million. Depreciation charges for the current fiscal year totaled \$7.6 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2011</u>	<u>2010</u>
Land	\$ 29,154	\$ 29,145
Buildings	202,049	202,049
Other Structures and Improvements	19,683	19,683
Furniture, Machinery, and Equipment	14,868	15,061
Construction in Progress	<u>3,532</u>	<u>250</u>
<b>Total</b>	<u>269,286</u>	<u>266,188</u>
Less, Accumulated Depreciation:		
Buildings	64,468	59,353
Other Structures and Improvements	9,367	7,953
Furniture, Machinery, and Equipment	<u>12,963</u>	<u>13,315</u>
<b>Total Accumulated Depreciation</b>	<u>86,798</u>	<u>80,621</u>
<b>Capital Assets, Net</b>	<u>\$182,488</u>	<u>\$185,567</u>

The College has \$21.8 million in a major contract commitment at June 30, 2011, for the construction of Building 1 at the Lake Nona Campus. The planning and design phase of Building 4 at the Osceola Campus is substantially complete, and construction will commence in the 2011-12 fiscal year. In addition, planning is underway for the construction of Building 10 at the West Campus. State capital appropriations together with local funds are expected

to finance the planning and construction of these buildings. More information about the College's capital assets is presented in the notes to financial statements.

#### **DEBT ADMINISTRATION**

At fiscal year-end, the College had \$6 million in debt outstanding versus \$3.3 million at the end of the prior fiscal year, an increase of 81.8 percent.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, the State Board of Education issued Capital Outlay Bonds, Series 2010A, with \$30.5 million of the proceeds going to educational entities. Proceeds from the College's portion of the bonds, \$3.4 million, will be used to construct Lake Nona Building 1. Debt repayments during the 2010-11 fiscal year totaled \$425,000. Additional information about the College's long-term debt is presented in the notes to the financial statements.

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

Valencia Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding is anticipated in the 2011-12 fiscal year. In response to the anticipated decrease in State noncapital appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2011 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

#### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Operations and Finance, Valencia College, Post Office Box 3028, Orlando, Florida 32802.

**BASIC FINANCIAL STATEMENTS**

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

	<b>College</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 57,113,828	\$ 7,039,493
Restricted Investments	136,059	
Accounts Receivable, Net	8,561,431	1,503,399
Due from Other Governmental Agencies	32,625,359	
Due from Component Unit	226,690	
Inventories	3,405,545	
Prepaid Expenses	622,181	
Other Current Assets	11,839	1,580,974
<b>Total Current Assets</b>	<b>102,702,932</b>	<b>10,123,866</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	32,452,010	
Restricted Investments		53,943,546
Depreciable Capital Assets, Net	149,802,734	392,452
Nondepreciable Capital Assets	32,685,818	2,788,245
<b>Total Noncurrent Assets</b>	<b>214,940,562</b>	<b>57,124,243</b>
<b>TOTAL ASSETS</b>	<b>\$ 317,643,494</b>	<b>\$ 67,248,109</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,818,274	\$ 353,219
Salary and Payroll Taxes Payable	6,744,619	
Retainage Payable	62,995	
Due to Other Governmental Agencies	729,009	
Due to Component Unit/College	21,393	226,690
Deferred Revenue	213,435	371,568
Deposits Held for Others	241,091	
Long-Term Liabilities - Current Portion:		
Bonds Payable	445,000	
Special Termination Benefits Payable	25,383	
Compensated Absences Payable	703,850	
<b>Total Current Liabilities</b>	<b>11,005,049</b>	<b>951,477</b>
Noncurrent Liabilities:		
Bonds Payable	5,520,000	
Special Termination Benefits Payable	206,673	
Compensated Absences Payable	6,357,419	
Other Postemployment Benefits Payable	292,024	
<b>Total Noncurrent Liabilities</b>	<b>12,376,116</b>	
<b>TOTAL LIABILITIES</b>	<b>23,381,165</b>	<b>951,477</b>

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

	College	Component Unit
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 179,498,246	\$ 3,180,697
Restricted:		
Nonexpendable:		
Endowment		31,306,292
Expendable:		
Grants and Loans	15,524,720	28,022,313
Scholarships	532,903	
Capital Projects	60,140,501	
Debt Service	134,170	
Unrestricted	38,431,789	3,787,330
<b>Total Net Assets</b>	294,262,329	66,296,632
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 317,643,494	\$ 67,248,109

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

**VALENCIA 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, 2011**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$50,821,210	\$ 44,433,997	\$
Federal Grants and Contracts	869,516	
State and Local Grants and Contracts		120,012
Nongovernmental Grants and Contracts	1,559,319	2,336,418
Sales and Services of Educational Departments	81,515	
Auxiliary Enterprises, Net of Scholarship Allowances of \$11,305,683	13,108,529	
Other Operating Revenues	2,193,934	773,065
<b>Total Operating Revenues</b>	62,246,810	3,229,495
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	123,490,845	743,136
Scholarships and Waivers	43,646,920	1,716,781
Utilities and Communications	5,112,859	
Contractual Services	7,678,634	26,437
Other Services and Expenses	10,107,431	392,358
Materials and Supplies	33,472,235	18,341
Depreciation	7,642,370	46,224
<b>Total Operating Expenses</b>	231,151,294	2,943,277
<b>Operating Income (Loss)</b>	(168,904,484)	286,218
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	62,482,716	
Gifts and Grants - Student Aid	93,384,475	
Gifts and Grants - Other	13,339,305	
Investment Income	595,954	1,185,760
Other Nonoperating Revenues	666,187	
Net Realized Gain on Investment	483	4,731,762
Interest on Capital Asset-Related Debt	(189,596)	
<b>Net Nonoperating Revenues</b>	170,279,524	5,917,522
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	1,375,040	6,203,740
State Capital Appropriations	31,131,530	
Capital Grants, Contracts, Gifts, and Fees	14,838,520	
<b>Total Other Revenues</b>	45,970,050	
<b>Increase in Net Assets</b>	47,345,090	6,203,740
Net Assets, Beginning of Year	246,917,239	60,716,067
Adjustment to Beginning Net Assets		(623,175)
<b>Net Assets, Beginning of Year, as Restated</b>	246,917,239	60,092,892
<b>Net Assets, End of Year</b>	\$ 294,262,329	\$ 66,296,632

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 44,193,898
Grants and Contracts	2,168,529
Payments to Suppliers	(51,258,673)
Payments for Utilities and Communications	(5,419,239)
Payments to Employees	(100,111,968)
Payments for Employee Benefits	(20,907,298)
Payments for Scholarships	(43,646,920)
Auxiliary Enterprises, Net	12,085,945
Sales and Service of Educational Departments	81,515
Other Receipts	1,612,329
	<b>(161,201,882)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	62,482,716
Direct Loan Program Receipts	83,871,260
Direct Loan Program Disbursements	(83,960,192)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	106,723,780
Other Receipts	135,206
	<b>169,252,770</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	3,385,136
State Capital Appropriations	9,398,906
Capital Grants and Gifts	11,088,520
Proceeds from Sale of Capital Assets	666,186
Purchases of Capital Assets	(4,458,937)
Principal Paid on Capital Debt and Leases	(425,000)
Interest Paid on Capital Debt and Leases	(161,922)
Deposit with Escrow Agent	(134,170)
	<b>19,358,719</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	10,000,000
Purchase of Investments	(10,001,888)
Investment Income	323,628
	<b>321,740</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>27,731,347</b>
Cash and Cash Equivalents, Beginning of Year	61,834,491
	<b>\$ 89,565,838</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 89,565,838</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (168,904,484)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,642,370
Changes in Assets and Liabilities:	
Receivables, Net	(4,562,191)
Due from Other Governmental Agencies	3,788,015
Inventories	(763,142)
Prepaid Expenses	(104,562)
Other Assets	5,236
Accounts Payable	(807,087)
Salary and Payroll Taxes Payable	2,324,280
Deferred Revenue	88,456
Compensated Absences Payable	95,850
Special Termination Benefits Payable	(37,947)
Other Postemployment Benefits Payable	33,324
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (161,201,882)</b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Valencia Community College<sup>1</sup>, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of eight 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 Orange and Osceola Counties.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2011.

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

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles

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<sup>1</sup> The College's Board of Trustees approved the name change from Valencia Community College to Valencia College effective July 1, 2011, pursuant to Section 1001.60(2)(b), Florida Statutes.

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

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized

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

gains or losses on investments), and revenues for capital construction projects. Interest on asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowance by identifying within its student accounts receivable system amounts paid by student aid for tuition and books. The amounts are deducted from student tuition and fees, and auxiliary enterprises, respectively.

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

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

At June 30, 2011, the College reported as cash equivalents \$20,235,875 of moneys held in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment - 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years

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

**2. ADJUSTMENT TO BEGINNING NET ASSETS – COMPONENT UNIT**

The Foundation restated and decreased total net assets by \$623,175 as of March 31, 2010, to reduce temporarily restricted net assets for the 2009-10 fiscal year pass-through funds improperly recorded as a contribution. This amount should have been recorded as a liability to Valencia Community College.

**3. INVESTMENTS**

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

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

payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 1,889
State Board of Administration Debt Service Accounts	134,170
<b>Total College Investments</b>	<b>\$ 136,059</b>

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

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

At June 30, 2011, the College reported investments at fair value of \$1,889 in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$134,170 at June 30, 2011, 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 SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

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

**Component Unit Investments**

Investments held by the College’s component unit at March 31, 2011, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Hedge Funds	\$ 7,577,551
Mutual Funds	<u>46,365,995</u>
<b>Total Component Unit Investments</b>	<b><u><u>\$ 53,943,546</u></u></b>

**4. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and grant reimbursements due from third parties. These receivables are reported net of a \$1,549,924 allowance for uncollectible accounts.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$26,966,599 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM AND TO COMPONENT UNIT**

The College’s financial statements are reported for the fiscal year ended June 30, 2011, whereas the Foundation’s financial statements are reported for the fiscal year ended March 31, 2011. Accordingly, amounts reported by the College as due from and to component units on the statement of net assets do not agree with amounts reported by the component unit as due from and to the College. The \$226,690 reported as due from the component unit mainly consists of amounts owed to the College by the Foundation for grant expenditure program reimbursements and personnel costs. The \$21,393 reported as due to the component unit primarily consists of amounts owed to the Foundation for donations.

**7. INVENTORIES**

Inventories consist of items for resale by the campus bookstore, and are valued using the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

**8. CAPITAL ASSETS**

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 29,144,857	\$ 9,221	\$	\$ 29,154,078
Construction in Progress	250,536	3,281,204		3,531,740
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 29,395,393</b>	<b>\$ 3,290,425</b>	<b>\$</b>	<b>\$ 32,685,818</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 202,048,662	\$	\$	\$ 202,048,662
Other Structures and Improvements	19,683,132			19,683,132
Furniture, Machinery, and Equipment	15,061,270	1,289,215	1,481,890	14,868,595
<b>Total Depreciable Capital Assets</b>	<b>236,793,064</b>	<b>1,289,215</b>	<b>1,481,890</b>	<b>236,600,389</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	59,353,381	5,114,164		64,467,545
Other Structures and Improvements	7,952,580	1,414,278		9,366,858
Furniture, Machinery, and Equipment	13,315,023	1,113,928	1,465,699	12,963,252
<b>Total Accumulated Depreciation</b>	<b>80,620,984</b>	<b>7,642,370</b>	<b>1,465,699</b>	<b>86,797,655</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 156,172,080</b>	<b>\$ (6,353,155)</b>	<b>\$ 16,191</b>	<b>\$ 149,802,734</b>

**9. LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,250,000	\$ 3,140,000	\$ 425,000	\$ 5,965,000	\$ 445,000
Special Termination Benefits Payable	270,003	30,826	68,773	232,056	25,383
Compensated Absences Payable	6,965,419	1,047,561	951,711	7,061,269	703,850
Other Postemployment Benefits Payable	258,700	310,130	276,806	292,024	
<b>Total Long-Term Liabilities</b>	<b>\$ 10,744,122</b>	<b>\$ 4,528,517</b>	<b>\$ 1,722,290</b>	<b>\$ 13,550,349</b>	<b>\$ 1,174,233</b>

**Bonds Payable.** The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2011:

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2005B	\$ 2,445,000	5.0	2018
Series 2009A, Refunding	480,000	3.0 - 5.0	2019
Series 2010A	<u>3,040,000</u>	3.0 - 5.0	2030
<b>Total</b>	<b><u>\$ 5,965,000</u></b>		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2012	\$ 445,000	\$ 278,275	\$ 723,275
2013	470,000	257,525	727,525
2014	490,000	234,525	724,525
2015	520,000	210,025	730,025
2016	555,000	184,025	739,025
2017-2030	<u>3,485,000</u>	<u>898,525</u>	<u>4,383,525</u>
<b>Total</b>	<b><u>\$ 5,965,000</u></b>	<b><u>\$ 2,062,900</u></b>	<b><u>\$ 8,027,900</u></b>

On October 14, 2010, the State Board of Education issued State Board of Education Capital Outlay Bonds, Series 2010A, with proceeds of \$30,450,000 going to educational entities. The College’s portion of the bonds, \$3,385,136, which includes a premium of \$272,810 less issuance costs of \$27,674, will be used to finance the construction of Building 1 at the Lake Nona Campus.

**Special Termination Benefits Payable.** Executive management employees are provided seven days of administrative incentive leave credit each year. Such credit is prorated for each month worked to a maximum of 35 days. Payment of such credited service is made at the time of termination from full time executive management service for any reason other than cause. Accrued benefits for the 12 participants at June 30, 2011 totaled \$232,056 of which \$25,383 represents the current portion.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$7,061,269. The current portion of the compensated absences liability of \$703,850 is the amount expected to be paid in the coming fiscal year based on a historically determined average of the current portion in prior years.

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**Other Postemployment Benefits Payable.** The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the College.

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

*Funding Policy.* The College has established contribution requirements which may be amended through recommendations of the Insurance Committee and actions from 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 financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 153 retirees received postemployment healthcare benefits and 158 retirees received postemployment life insurance benefits. The College provided required contributions of \$276,806 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 \$1,024,313.

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

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 187,857
Amortization of Unfunded Actuarial Accrued Liability	114,077
Interest on Normal Cost and Amortization	9,058
<b>Annual Required Contribution</b>	310,992
Interest on Net OPEB Obligation	7,761
Adjustment to Annual Required Contribution	(8,623)
<b>Annual OPEB Cost (Expense)</b>	310,130
Contribution Toward the OPEB Cost	(276,806)
<b>Increase in Net OPEB Obligation</b>	33,324
Net OPEB Obligation, Beginning of Year	258,700
<b>Net OPEB Obligation, End of Year</b>	\$ 292,024

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 223,840	49.0%	\$ 218,487
2009-10	294,486	86.3%	258,700
2010-11	310,130	89.3%	292,024

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$3,322,639, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,322,639 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$76,191,980 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the

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types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2009, used the projected unit credit method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by decrements to an ultimate rate of 4.5 percent after 16 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2011, was 26 years.

#### **10. RETIREMENT PROGRAMS**

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$4,467,329, \$4,777,637, and \$5,570,169, 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 179 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$1,444,717.

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.

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JUNE 30, 2011**

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 118 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$898,237.

**11. CONSTRUCTION COMMITMENT**

The College’s major construction commitment at June 30, 2011, is as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Lake Nona Campus Building 1 General Contractor	\$ 21,837,116	\$	\$ 21,837,116

**12. OPERATING LEASE COMMITMENTS**

The College leased land and building space under operating leases, which expire in 2052. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 1,140,573
2013	1,110,870
2014	1,126,710
2015	647,920
2016	647,920
2017-2052	13,470,880
<b>Total Minimum Payments Required</b>	<b>\$ 18,144,873</b>

**13. 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

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JUNE 30, 2011**

public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million during the 2010-11 fiscal year. Insurance coverage obtained through the Consortium included 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.

Health and hospitalization, life, dental, and vision coverage are provided through commercial insurance with minimum deductibles for each line of coverage.

**14. 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:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 54,646,581
Gross Receipts Tax (Public Education Capital Outlay)	30,070,736
Education Enhancement Trust Fund (Lottery)	7,836,135
Bright Futures Scholarship Program	6,420,926
Florida Student Assistance Grants	5,446,403
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,060,794
Restricted Contracts and Grants	461,910
Other State Sources	49,037
<b>Total</b>	<b>\$ 105,992,522</b>

**VALENCIA COMMUNITY COLLEGE  
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**15. 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	\$ 67,514,886
Academic Support	13,600,322
Student Services	21,515,088
Institutional Support	30,934,856
Operation and Maintenance of Plant	25,281,050
Scholarships and Fellowships	43,646,920
Auxiliary Enterprises	21,015,802
Depreciation	<u>7,642,370</u>
<b>Total Operating Expenses</b>	<b><u><u>\$231,151,294</u></u></b>

**VALENCIA COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 2,334,741	\$ 2,334,741	0%	\$ 67,481,224	3.5%
7/1/2009	\$	\$ 3,322,639	\$ 3,322,639	0%	\$ 69,802,412	4.8%

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

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

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

The July 1, 2009, unfunded actuarial liability of \$3,322,639 was approximately \$988,000 higher than the July 1, 2007, liability of \$2,334,741 primarily due to:

- Changes in census and expected growth in unfunded obligation (increase to AAL of approximately \$512,000).
- Change in plan design for retirees and dependents, including adjustments in assumed medical plan participation (increase to AAL of approximately \$308,000).
- Updated claims costs and revised contributions (increase to AAL of approximately \$49,000).
- Revised medical trend and mortality assumptions (increase to AAL of approximately \$119,000).



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

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

We have audited the financial statements of Valencia Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "David W. Martin". The signature is fluid and cursive.

David W. Martin, CPA  
March 15, 2012