

ANNUAL FINANCIAL REPORT

FY 2011-12



September 18, 2012

TO: BOARD OF TRUSTEES
of Valencia College

FROM: SANFORD C. SHUGART
President

RE: ANNUAL FINANCIAL REPORT

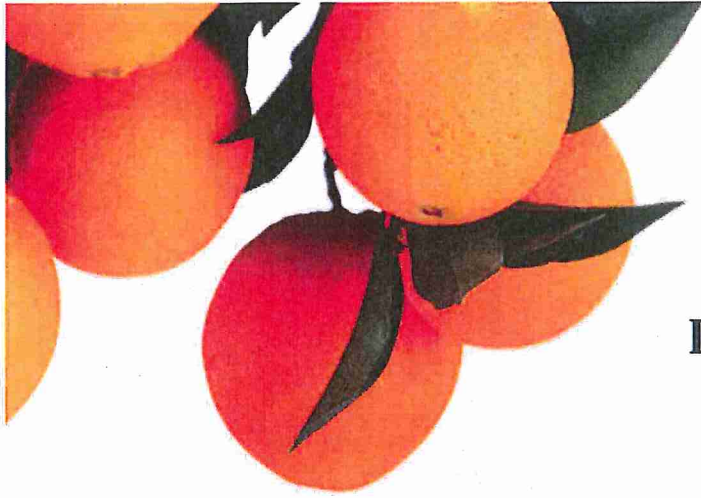
Enclosed is the College's Annual Financial Report for Fiscal Year 2011-12. The report is a consolidated financial report which includes not only the College's general operating fund, but all fund categories: restricted funds, auxiliary funds, loans and quasi endowments, loans/scholarships/financial aid to students, agency accounts, plant funds, retirement of indebtedness funds, and investment in plant funds. The Annual Financial Report also incorporates the Foundation's financials as a Component Unit of the College. This report is developed to be consistent with State rules and guidelines and is formatted in a manner which allows it to be easily consolidated with the other colleges and universities, and eventually into the State's Annual Financial Report. Annually the Auditor General's Office performs a detailed audit of the College's financials, and renders an opinion to the reliability of this report.

While you may find all of this information helpful, you will most likely obtain the most value in the Management's Discussion and Analysis section of the report which is found on pages 1- 13.

Please let Keith Houck or me know if you have any questions regarding this report.

A handwritten signature in black ink, reading "Sanford C. Shugart".

President



**District Board of Trustees
Valencia College**

ANNUAL FINANCIAL REPORT

**For the Fiscal Year
July 1, 2011 to June 30, 2012**



VALENCIA COLLEGE
ANNUAL FINANCIAL REPORT
DIVISION OF FLORIDA COLLEGES YEAR-END REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year July 1, 2011 to June 30, 2012

Annual Financial Report

Management's Discussion and Analysis (MD&A)
Statement of Net Assets (SNA)
Statement of Revenues, Expenses and Changes in Net Assets (SRECNA)
Statement of Cash Flows (SCF)
Notes to the Financial Statements

Division of Florida Colleges Year-End Reports

Report of Accounts by General Ledger Code
Summary of Expenditures by Function
Summary of Student Fee Exemptions and Waivers
Report of Capital Improvement Fees
Distance Learning Course User Fee Report
Student Activity and Service Fee Report
Florida College System Notes Schedules
Component Unit Notes Schedules
Final Review Check Sheet

Schedule of Expenditures of Federal Awards (SEFA)

SEFA Reconciliation Template
SEFA Checklist
SEFA Form

To the best of my knowledge, the Annual Financial Report, Division of Florida Colleges Year-End Reports, and Schedule of Expenditures of Federal Awards are certified to be true.



Sanford C. Shugart, President

8-14-2012
Date

VALENCIA COLLEGE
ANNUAL FINANCIAL REPORT
DIVISION OF FLORIDA COLLEGES YEAR-END REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year July 1, 2011 to June 30, 2012

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ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A)

Statement of Net Assets (SNA)

Statement of Revenues, Expenses and Changes in Net Assets (SRECNA)

Statement of Cash Flows (SCF)

Notes to the Financial Statements

VALENCIA COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by the 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, financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for fiscal years ended June 30, 2012 and June 30, 2011, and its component unit the Valencia College Foundation, Inc. for the fiscal years ended March 31, 2012 and March 31, 2011.

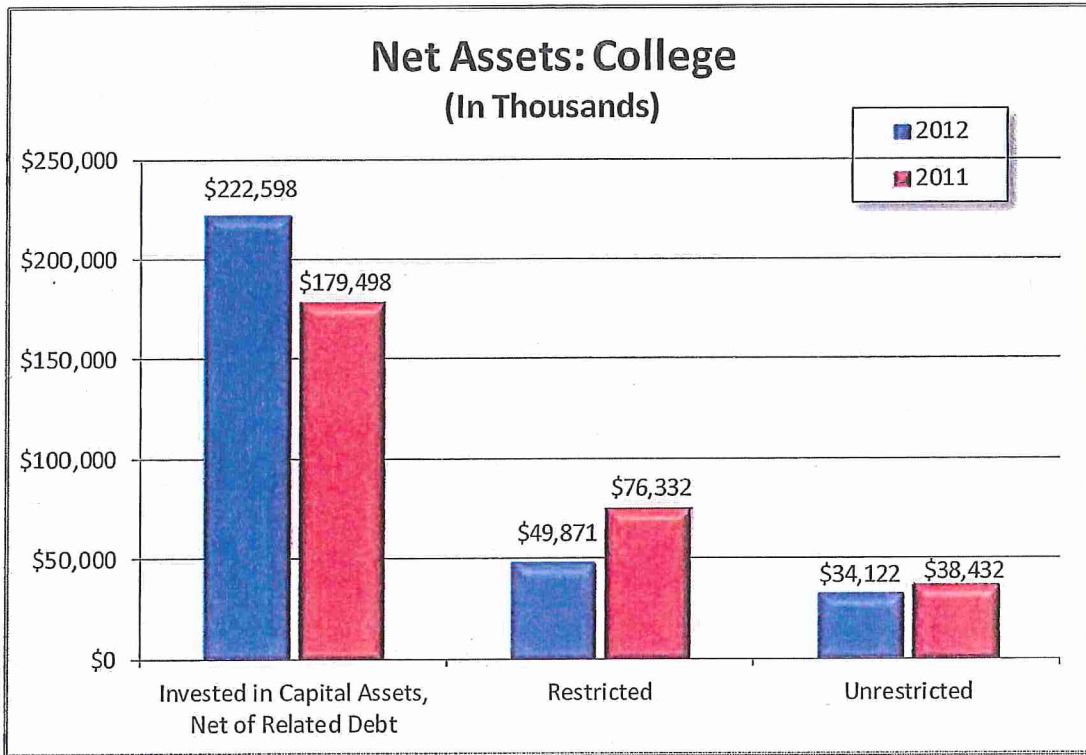
FINANCIAL HIGHLIGHTS

The College's assets totaled \$339.6 million at June 30, 2012. The majority of these assets are in physical plant. Total assets increased by \$21.9 million, or 6.9 percent, over the 2010-11 fiscal year as a result of construction in progress additions for Lake Nona Campus Building 1, Osceola Campus Building 4, and West Campus Building 10. While liabilities grew by a larger percentage (41.1%) they only increased by \$9.6 million, totaling \$33 million at June 30, 2012, compared to \$23.4 million at June 30, 2011. As a result, the College's net assets increased by \$12.3 million, or 4.2 percent, reaching a year-end balance of \$306.6 million.

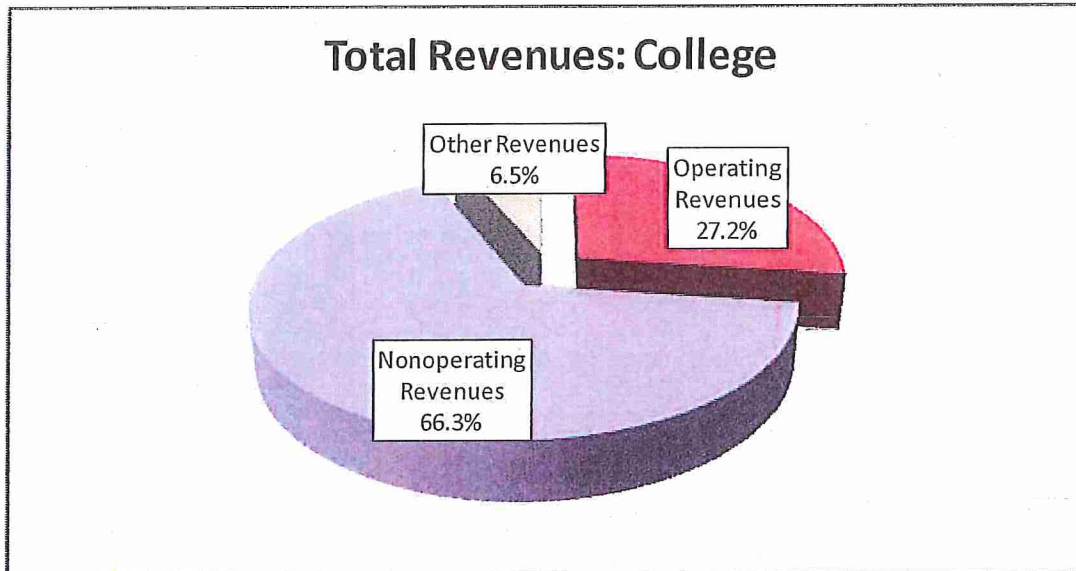
The College's operating revenues, which does not include State appropriations, totaled \$66.3 million for the 2011-12 fiscal year, representing a 6.5 percent increase as compared to 2010-11 fiscal year primarily due to an increase in the student tuition rate. Operating expenses totaled \$231.3 million for the 2011-12 fiscal year, representing a slight increase of .05 percent as compared to the 2010-11 fiscal year.

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

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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



**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE 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 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 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 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 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 College's operating results.

These two statements report Valencia College's net assets and the 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 also need to consider 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.

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 periods ended is shown in the following table:

Condensed Statement of Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-12	6-30-11	03-31-12	03-31-11
Assets				
Current Assets	\$ 81,444	\$ 102,703	\$ 5,427	\$ 10,124
Capital Assets, Net	228,118	182,488	3,137	3,180
Other Noncurrent Assets	30,026	32,452	55,559	53,944
Total Assets	339,588	317,643	64,123	67,248
Liabilities				
Current Liabilities	20,573	11,005	708	951
Noncurrent Liabilities	12,424	12,376		
Total Liabilities	32,997	23,381	708	951
Net Assets				
Invested in Capital Assets, Net of Related Debt	222,598	179,498		3,181
Restricted	49,871	76,332	56,759	59,329
Unrestricted	34,122	38,432	6,656	3,787
Total Net Assets	\$ 306,591	\$ 294,262	\$ 63,415	\$ 66,297
Increase (Decrease) in Net Assets	\$ 12,329	4.2%	\$ (2,882)	-4.3%

Current assets decreased by \$21.3 million primarily due to a decrease in Public Education and Capital Outlay (PECO) receivables for construction of Lake Nona Campus Building 1 and Osceola Campus Building 4 that were appropriated in prior fiscal years, but expended in the 2011-12 fiscal year.

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Total current liabilities increased by \$9.6 million primarily due to an increase in accounts payable (\$4.5 million) and retainage payable (\$3.4 million) for expenditures related to the construction of three new campus buildings.

Net capital assets increased by \$43 million because of an increase in construction in progress additions for Lake Nona Campus Building 1 (\$20 million), Osceola Campus Building 4 (\$25.5 million), and West Campus Building 10 (\$6.2 million).

Revenues and expenses of the College and its component unit for the respective periods are shown on the following table:

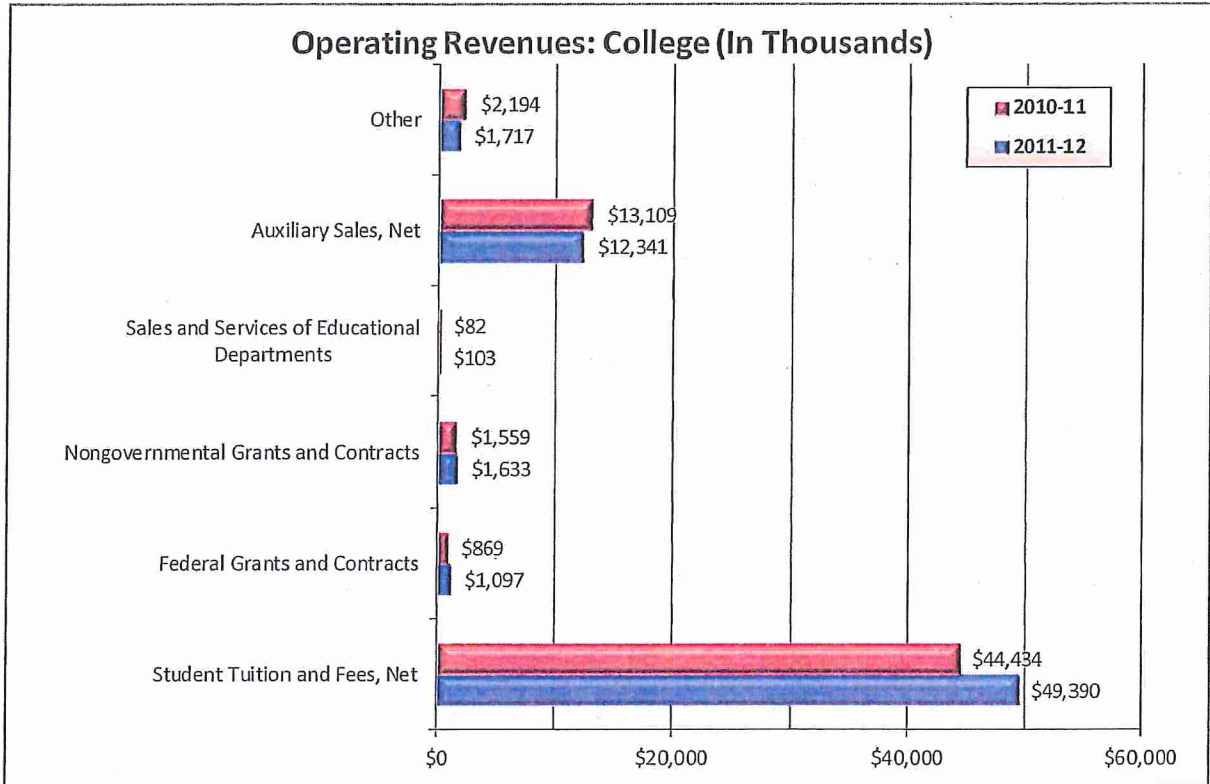
Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended (In Thousands)				
	College		Component Unit	
	6-30-12	6-30-11	03-31-12	03-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 49,390	\$ 44,434	\$	\$
Federal Grants and Contracts	1,097	869		
State and Local Grants and Contracts			130	120
Nongovernmental Grants and Contracts	1,633	1,559	2,973	2,336
Sales and Services of Educational Departments	103	82		
Auxiliary Enterprises, Net of Scholarship Allowances	12,341	13,109		
Other Operating Revenues	1,717	2,194	887	773
Total Operating Revenues	66,281	62,247	3,990	3,229
Less, Operating Expenses	231,138	231,151	3,131	2,943
Operating Income (Loss)	(164,857)	(168,904)	859	286
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	60,773	62,483		
Other Nonoperating Revenues	100,823	107,986	1,723	5,918
Nonoperating Expenses	(278)	(190)	(5,464)	
Net Nonoperating Revenues	161,318	170,279	(3,741)	5,918
Income (Loss) Before Other Revenues, Expenses, Gains or Losses				
	(3,539)	1,375	(2,882)	6,204
Capital Appropriations	2,606	31,132		
Capital Grants, Gifts, and Fees	13,262	14,838		
Increase (Decrease) in Net Assets	12,329	47,345	(2,882)	6,204
Net Assets, Beginning of Year	294,262	246,917	66,297	60,716
Adjustment to Beginning Net Assets (1)				(623)
Net Assets, End of Year	\$ 306,591	\$ 294,262	\$ 63,415	\$ 66,297
(1) Reduction of prior year net assets to accurately reflect terms of donor.				

Operating Revenues

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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



Total operating revenues increased overall by \$4 million, or 6.5 percent, primarily due to a rise in student tuition and fees, net of scholarship allowances, generated from a fee rate increase of 8% over the 2010-11 fiscal year.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

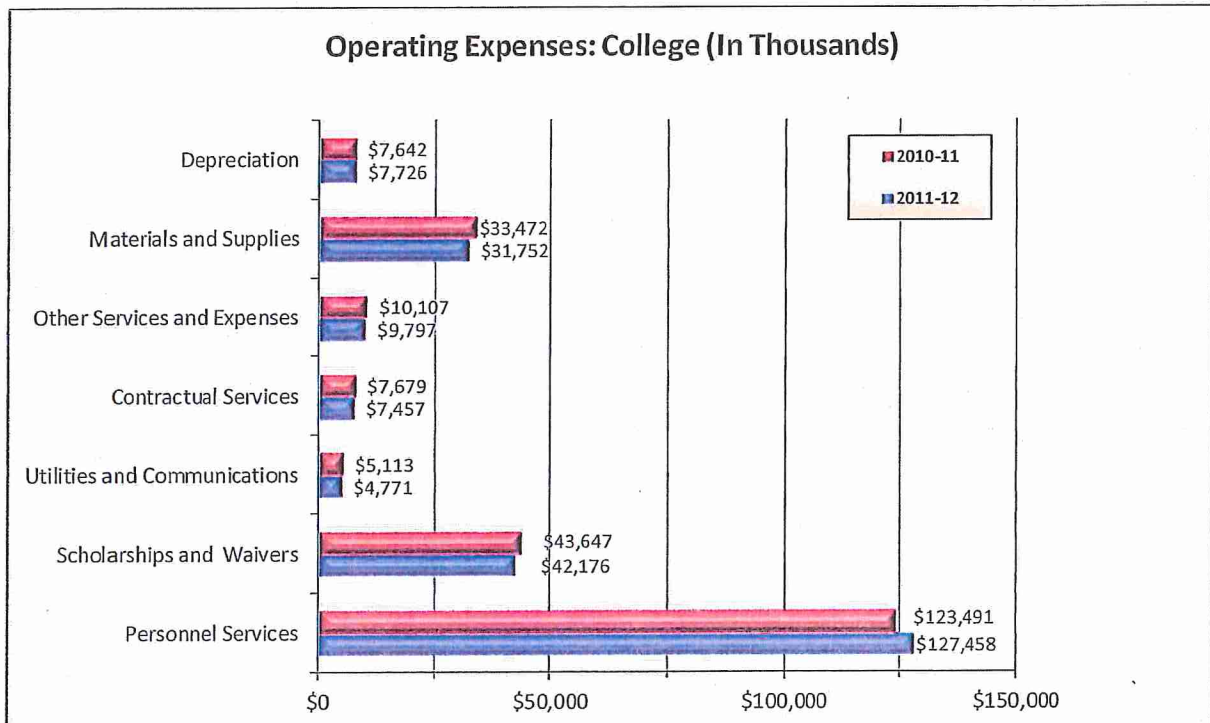
classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

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

Operating Expenses For the Fiscal Years Ended (In Thousands)				
	<u>College</u>		<u>Component Unit</u>	
	6-30-12	6-30-11	03-31-12	03-31-11
Operating Expenses				
Personnel Services	\$ 127,458	\$ 123,491	\$ 804	\$ 743
Scholarships and Waivers	42,176	43,647	1,746	1,717
Utilities and Communications	4,771	5,113		
Contractual Services	7,457	7,679	32	27
Other Services and Expenses	9,797	10,107	476	392
Materials and Supplies	31,752	33,472	27	18
Depreciation	7,726	7,642	46	46
Total Operating Expenses	<u>\$ 231,138</u>	<u>\$ 231,151</u>	<u>\$ 3,131</u>	<u>\$ 2,943</u>

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

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Total operating expenses for the College increased only slightly by \$109 thousand or .05 percent compared to the prior fiscal year. However, certain operational expense categories changed as a result of the following factors:

- Salary and related benefit expenses increased \$4 million primarily due to a 3 percent pay raise for all full-time faculty, professional, and administrative employees, as well as part-time career service staff with at least 2,080 service hours at the College.
- Scholarship expense declined by \$1.5 million primarily because of a \$1.9 million decrease in the amount of Bright Future State scholarship awards.
- Material and supplies expense decreased by \$1.7 million due to a fall in the College's bookstore cost of goods sold expense, the result of a focused effort to provide less expensive course materials to students.

NonOperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Nonoperating Revenues (Expenses): College (In Thousands)		
	2011-12	2010-11
State Noncapital Appropriations	\$ 60,773	\$ 62,483
Gifts and Grants	99,845	106,724
Investment Income	324	596
Other Nonoperating Revenues	654	666
Other Nonoperating Expenses	(278)	(190)
Net Nonoperating Revenues	\$ 161,318	\$ 170,279

Net nonoperating revenues decreased by \$8.8 million, or 5.2 percent, due to a reduction of \$5.1 million received through the Federal American Recovery and Reinvestment Act (ARRA), in addition to a decrease in State Community College Program Funds noncapital appropriations of \$1.7 million.

Other Revenues, Expenses, Gains of Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts and fees. The following summarizes the College's other revenues, expenses, gains or losses for the 2011-12 and 2010-11 fiscal years:

Other Revenues, Expenses, Gains or Losses: College (In Thousands)		
	2011-12	2010-11
State Capital Appropriations	\$ 2,606	\$ 31,132
Capital Grants, Contracts, Gifts, and Fees	13,262	14,838
Net Nonoperating Revenues	\$ 15,868	\$ 45,970

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Other revenues decreased by \$30.1 million, or 65.5 percent, because of a significant decrease in PECO capital appropriations for new construction in the 2011-12 fiscal year.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's cash flows for the 2011-12 and 2010-12 fiscal years are presented in the following table:

Condensed Statement of Cash Flows: College		
(In Thousands)		
	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (153,214)	\$ (161,202)
Noncapital Financing Activities	160,768	169,253
Capital and Related Financing Activities	(9,729)	19,359
Investing Activities	<u>324</u>	<u>322</u>
Net Increase in Cash and Cash Equivalents	(1,851)	27,732
Cash and Cash Equivalents, Beginning of Year	<u>89,566</u>	<u>61,834</u>
Cash and Cash Equivalents, End of Year	<u>\$ 87,715</u>	<u>\$ 89,566</u>

The major sources of funds for operating activities came from net student tuition and fees (\$49.3 million), bookstore receipts (\$13.6 million). State noncapital appropriations (\$60.8 million), and Federal and State student financial aid (\$97 million) were the primary sources of funds for noncapital financing activities. Prior year capital appropriations received from

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

the State's PECO program and student capital improvement fee 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 (\$125.4 million), payments to suppliers (\$49.1 million), and payments for scholarships (\$42.2 million). Purchases of capital assets related to construction expenses for Lake Nona Campus Building 1, Osceola Campus Building 4, and West Campus Building 10 account for most of the cash by capital and related financing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30 2012, the College had \$322.1 million in capital assets, less accumulated depreciation of \$94 million, for net capital assets of \$228.1 million. Net capital assets increased by \$45.6 million over the 2010-11 fiscal year. Depreciation charges for the current fiscal year totaled \$7.7 million. The following table summarizes the College's capital assets for the 2011-12 fiscal year:

Capital Assets , Net at June 30: College (In Thousands)		
Capital Assets	2012	2011
Land	\$ 29,154	\$ 29,154
Buildings	202,049	202,049
Other Structures and Improvements	19,764	19,683
Furniture, Machinery and Equipment	15,861	14,868
Construction in Progress	55,245	3,532
Total Assets	322,073	269,286
Less Accumulated Depreciation:		
Buildings	69,507	64,468
Other Structures and Improvements	10,789	9,367
Furniture, Machinery and Equipment	13,659	12,963
Total Accumulated Depreciation	93,955	86,798
Capital Assets, Net	\$ 228,118	\$ 182,488

VALENCIA COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The College has \$49.2 million in major contract commitments at June 30, 2012 for the completion of Building 1 at the Lake Nona Campus, Building 4 at the Osceola Campus, and Building 10 at the West Campus. State 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 \$5.5 million in debt outstanding versus \$6 million at the end of the prior fiscal year, a decrease of 8.3 percent.

During the 2011-12 fiscal year, the State Board of Education did not issue capital outlay bonds on behalf of the College, and debt repayments were made that totaled \$445,000. 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 College's economic position 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 likely after fiscal year 2012-13. In the 2012-13 legislative appropriations, the College received an \$8.4 million increase of which \$6 million is from non-recurring general revenue. In an effort to hold down the cost of tuition to the students, the Board of Trustees elected not to raise the overall tuition rate. However, the Board of Trustees did approve to raise the unrestricted portion of the tuition rate used to support the primary objectives of the College by \$2 per credit hour, with a corresponding decrease in the student capital improvement fee, which may only be expended on the educational facilities of the College, as defined in Florida Statute. The College's current operational plans indicate that the infusion of additional financial resources from an increase in the unrestricted portion of the tuition rate will be adequate to maintain the present level of services. The current capital plans of the College will not be adversely affected by the decrease in the capital improvement fee because no major construction projects are scheduled for the 2012-13 fiscal year.

**VALENCIA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, FL 32802.

VALENCIA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 36,540,674	\$ 2,092,332
Restricted Cash and Cash Equivalents	21,150,360	3,427
Investments		
Restricted Investments	123,795	
Accounts Receivable, Net	7,140,979	1,471,745
Notes Receivable, Net		
Due from Other Governmental Agencies	12,525,098	
Due from Component Unit/College	347,957	31,927
Inventories	2,687,763	
Prepaid Expenses	660,557	8,895
Deposits	266,978	
Other Assets		1,818,873
Total Current Assets	81,444,161	5,427,199
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	30,023,982	
Investments		
Restricted Investments	1,660	55,558,980
Loans and Notes Receivable, Net		
Depreciable Capital Assets, Net	143,718,091	348,608
Nondepreciable Capital Assets	84,399,839	2,788,245
Other Assets		
Total Noncurrent Assets	258,143,572	58,695,833
TOTAL ASSETS	\$ 339,587,733	\$ 64,123,032
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 6,352,935	\$ 163,407
Accrued Interest Payable		
Salary and Payroll Taxes Payable	5,461,063	
Retainage Payable	3,429,012	
Due to Other Governmental Agencies	686,733	
Due to Component Unit/College	31,927	347,957
Deferred Revenue	215,755	196,980
Estimated Insurance Claims Payable	2,732,349	
Deposits Held for Others	390,104	
Long-Term Liabilities - Current Portion:		
Bonds Payable	470,000	
Notes and Loans Payable		
Installment Purchases Payable		
Capital Leases Payable		
Special Termination Benefits Payable	5,101	
Compensated Absences Payable	798,192	
Total Current Liabilities	20,573,171	708,344

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

	College	Component Unit
Noncurrent Liabilities:		
Bonds Payable	\$ 5,050,000	\$
Notes and Loans Payable		
Installment Purchases Payable		
Capital Leases Payable		
Special Termination Benefits Payable	240,887	
Compensated Absences Payable	6,654,704	
Other Postemployment Benefits Payable	477,216	
	12,422,807	
Total Noncurrent Liabilities	12,422,807	
TOTAL LIABILITIES	32,995,978	708,344
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	222,597,930	
Restricted:		
Nonexpendable:		
Endowment		31,723,711
Expendable:		
Endowment		
Grants and Loans	15,890,362	25,035,411
Scholarships	831,694	
Capital Projects	33,025,931	
Debt Service	123,795	
Other		
Unrestricted	34,122,043	6,655,566
Total Net Assets	306,591,755	63,414,688
TOTAL LIABILITIES AND NET ASSETS	\$ 339,587,733	\$ 64,123,032

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$ 51,434,487	\$ 49,390,398	\$
Federal Grants and Contracts	1,097,002	
State and Local Grants and Contracts	-	130,058
Nongovernmental Grants and Contracts	1,632,714	2,972,725
Sales and Services of Educational Departments	102,694	
Auxiliary Enterprises, Net of Scholarship Allowances of \$ 8,853,882	12,341,376	
Other Operating Revenues	1,716,532	886,859
Total Operating Revenues	66,280,716	3,989,642
EXPENSES		
Operating Expenses:		
Personnel Services	127,458,163	803,603
Scholarships and Waivers	42,176,199	1,745,656
Utilities and Communications	4,770,847	-
Contractual Services	7,457,218	31,815
Other Services and Expenses	9,797,129	475,830
Materials and Supplies	31,751,817	27,361
Depreciation	7,726,318	46,364
Total Operating Expenses	231,137,691	3,130,629
Operating Income (Loss)	(164,856,975)	859,013
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	60,772,663	
Federal and State Student Financial Aid	97,023,244	
Gifts and Grants	2,823,002	
Investment Income	323,513	1,286,135
Net Gain on Investments		436,520
Other Nonoperating Revenues	654,496	
Loss on Disposal of Capital Assets		
Interest on Capital Asset-Related Debt	(278,275)	
Other Nonoperating Expenses		(5,463,612)
Net Nonoperating Revenues (Expenses)	161,318,643	(3,740,957)
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,538,332)	(2,881,944)
State Capital Appropriations	2,606,032	
Capital Grants, Contracts, Gifts, and Fees	13,261,726	
Additions to Endowments		
Total Other Revenues	15,867,758	
Increase (Decrease) in Net Assets	12,329,426	(2,881,944)
Net Assets, Beginning of Year	294,262,329	66,296,632
Adjustments to Beginning Net Assets		
Net Assets, Beginning of Year, as Restated	294,262,329	66,296,632
Net Assets, End of Year	\$ 306,591,755	\$ 63,414,688

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 49,326,595
Grants and Contracts	2,887,285
Payments to Suppliers	(48,967,500)
Payments for Utilities and Communications	(4,784,208)
Payments to Employees	(106,604,621)
Payments for Employee Benefits	(18,818,359)
Payments for Scholarships	(42,176,199)
Loans Issued to Students	
Collection of Loans to Students	
Auxiliary Enterprises, Net	13,572,274
Sales and Services of Educational Departments	102,694
Other Receipts	2,248,490
	(153,213,549)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	60,772,663
Federal and State Student Financial Aid	97,023,244
Federal Direct Loan Program Receipts	85,252,379
Federal Direct Loan Program Disbursements	(86,272,780)
Gifts and Grants Received for Other than Capital or Endowment Purposes	2,823,002
Private Gifts for Endowment Purposes	
Other Nonoperating Receipts	1,169,414
	160,767,922
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	
State Capital Appropriations	23,405,381
Capital Grants and Gifts	13,261,726
Proceeds from Sale of Refunding of Bonds	
Proceeds from Sale of Capital Assets	654,496
Purchases of Capital Assets	(46,337,639)
Principal Paid on Capital Debt and Leases	(445,000)
Interest Paid on Capital Debt and Leases	(278,275)
Deposits with Trustee	10,603
	(9,728,708)
Net Cash Used by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	
Purchase of Investments	
Investment Income	323,513
	323,513
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(1,850,822)
Cash and Cash Equivalents, Beginning of Year	89,565,838
	\$ 87,715,016
Cash and Cash Equivalents, End of Year	87,715,016

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

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (164,856,975)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,726,318
Changes in Assets and Liabilities:	
Receivables, Net	5,049,186
Due from Other Governmental Agencies	(4,449,087)
Inventories	717,781
Prepaid Expenses	(38,375)
Other Assets	(255,140)
Accounts Payable	3,583,228
Salaries and Payroll Taxes Payable	(1,283,555)
Deferred Revenue	2,319
Deposits Held for Others	
Special Termination Benefits Payable	13,932
Compensated Absences Payable	391,627
Other Postemployment Benefits Payable	185,192
Net Cash Used by Operating Activities	\$ (153,213,549)

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

Unrealized gains on investments were recognized as an increase (reduction) to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

\$ 175

Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

\$ -

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Valencia College¹, 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 law 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 *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 on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity is 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 College Foundation, Inc. (Foundation) is included with the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

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

¹ 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 COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

financial statements for the fiscal year ended March 31, 2012.

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

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by 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 elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basis 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