REPORT NO. 2014-078
JANUARY 2014

BROWARD COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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The audit was conducted by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

BROWARD COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Broward 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, 2013. 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.

AUDITOR GENERAL
STATE OF FLORIDA

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111 West Madison Street
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AUDITOR GENERAL

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Broward 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Broward College and of its discretely presented component unit as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Broward 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* in considering Broward College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 7, 2014

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, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2013, and June 30, 2012, and its component unit the Broward College Foundation, Inc., for the fiscal years ended December 31, 2012, and December 31, 2011.

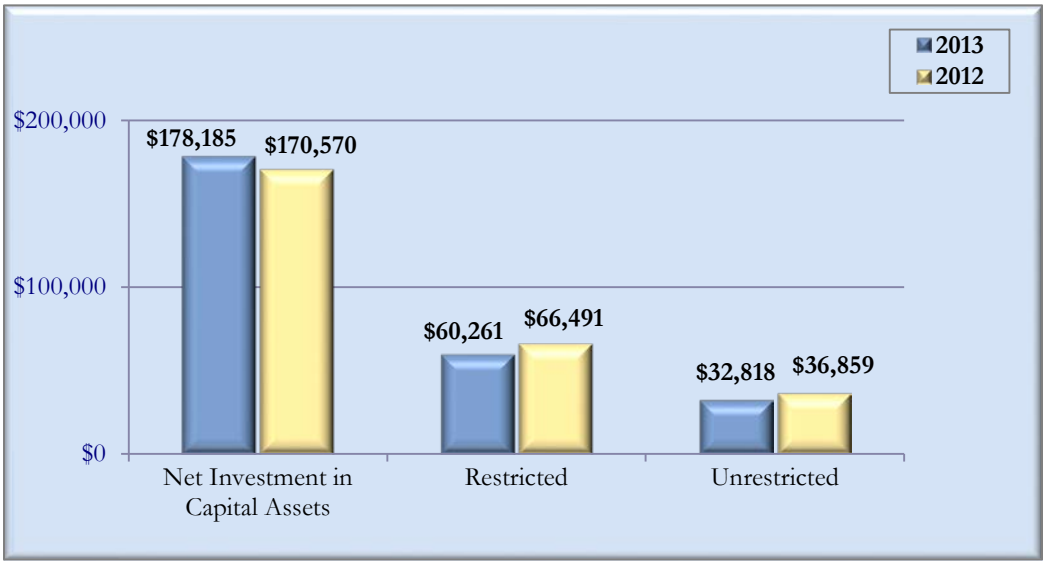
FINANCIAL HIGHLIGHTS

The College's assets totaled $331.2 million at June 30, 2013. This balance reflects a $7.6 million, or 2.3 percent, decrease as compared to the 2011-12 fiscal year. Liabilities decreased by $5 million, or 7.7 percent, totaling $59.9 million at June 30, 2013, compared to $64.9 million at June 30, 2012. As a result, the College's net position decreased by $2.6 million, resulting in a year-end balance of $271.3 million.

The College's operating revenues totaled $72.3 million for the 2012-13 fiscal year, representing a 6.1 percent decrease as compared to the 2011-12 fiscal year due mainly to decreases in student tuition and fees, auxiliary enterprises revenues and the termination of several grants. Operating expenses totaled $256.9 million for the 2012-13 fiscal year, representing a decrease of 0.5 percent as compared to the 2011-12 fiscal year.

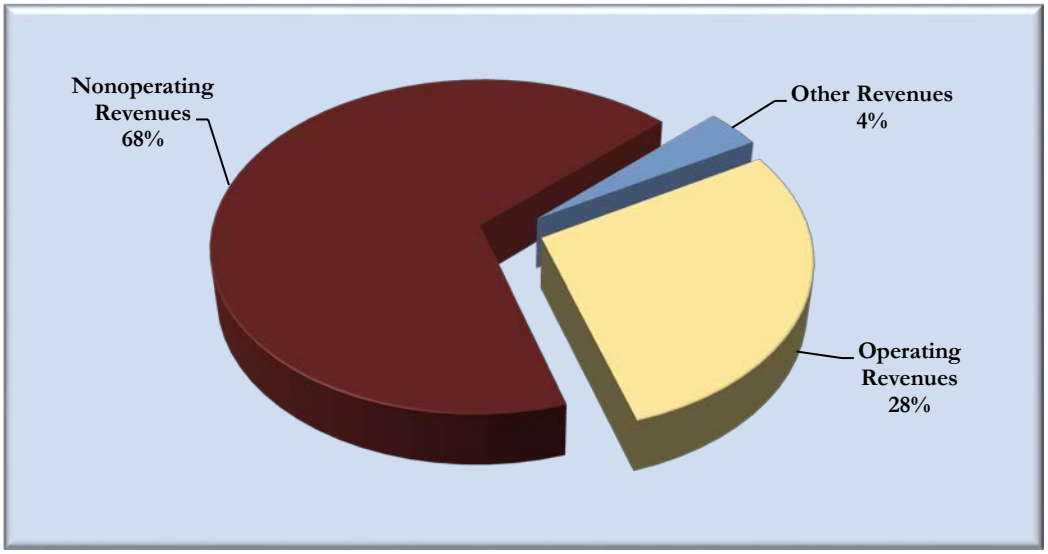
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

Net Position: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2012-13 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

- Broward 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.
- Broward College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET POSITION

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

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

Condensed Statement of Net Position at
(In Thousands)

	College		Component Unit	
	6-30-13	6-30-12	12-31-12	12-31-11
Assets				
Current Assets	$ 65,872	$ 86,282	$ 1,000	$ 907
Capital Assets, Net	196,509	190,384	43	
Other Noncurrent Assets	68,810	62,149	67,417	64,143
Total Assets	331,191	338,815	68,460	65,050
Liabilities				
Current Liabilities	21,892	28,301	758	502
Noncurrent Liabilities	38,035	36,594		
Total Liabilities	59,927	64,895	758	502
Net Position				
Net Investment in Capital Assets	178,185	170,570		
Restricted	60,261	66,491	58,990	56,975
Unrestricted	32,818	36,859	8,712	7,573
Total Net Position	$ 271,264	$ 273,920	$ 67,702	$ 64,548

Total net position of the College decreased by $2.6 million, or 1 percent. This decrease in the College's net position was the result of the following factors:

- Net investment in capital assets, increased by $7.6 million, or 4.5 percent, due mainly to various construction projects in progress.
- Restricted net assets decreased by $6.2 million, or 9.4 percent, due mainly to the use of restricted resources for the construction projects noted above.
- Unrestricted net position decreased by $4 million, or 11 percent, due mainly to decreases in student tuition and fees and auxiliary enterprises revenues.

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

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

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

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

	College		Component Unit	
	6-30-13	6-30-12	12-31-12	12-31-11
Operating Revenues	$ 72,281	$ 76,956	$ 3,037	$ 3,343
Less, Operating Expenses	256,922	258,318	7,551	6,101
Operating Loss	(184,641)	(181,362)	(4,514)	(2,758)
Net Nonoperating Revenues (Expenses)	172,557	175,090	7,668	(2,812)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,084)	(6,272)	3,154	(5,570)
Other Revenues	9,428	9,682		
Net Increase (Decrease) In Net Position	(2,656)	3,410	3,154	(5,570)
Net Position, Beginning of Year	273,920	270,510	64,548	70,118
Net Position, End of Year	$ 271,264	$ 273,920	$ 67,702	$ 64,548

Operating Revenues

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

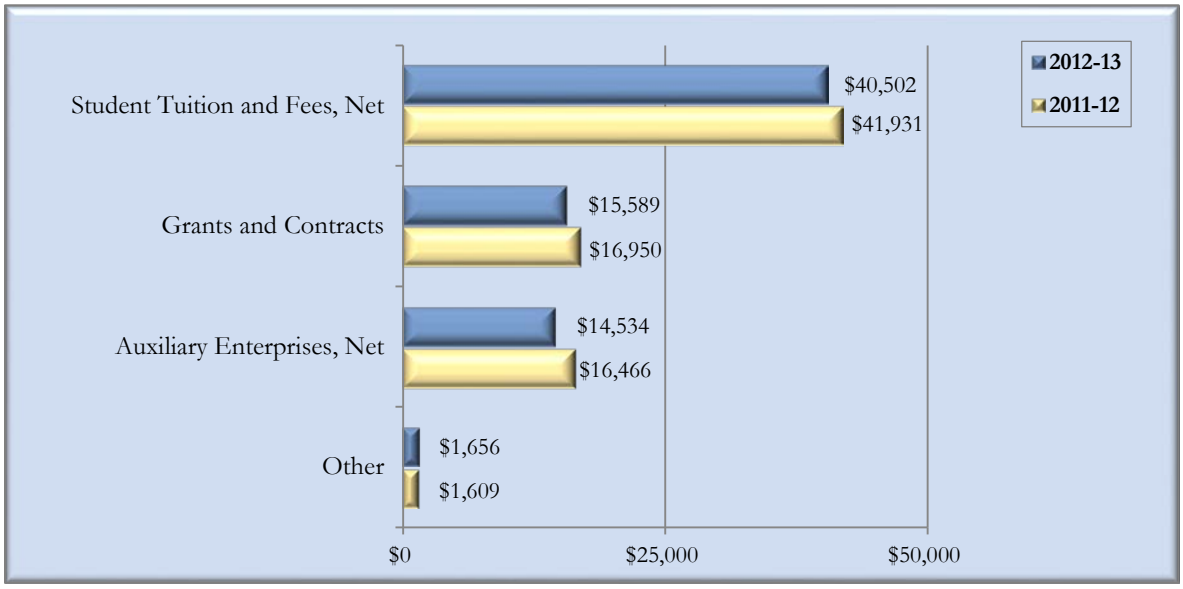
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-13	6-30-12	12-31-12	12-31-11
Net Tuition and Fees	$ 40,502	$ 41,931	$	$
Grants and Contracts	15,589	16,950		
Auxiliary Enterprises (Net)	14,534	16,466		
Other	1,656	1,609	3,037	3,343
Total Operating Revenues	$ 72,281	$ 76,956	$ 3,037	$ 3,343

The following chart presents the College's operating revenues for the 2012-13 and 2011-12 fiscal years:

Operating Revenues: College
(In Thousands)



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

- Student tuition and fees and bookstore sales, included in auxiliary enterprises, decreased by $1.4 million and $1.3 million, respectively, primarily due to a decrease of 1,098 full-time equivalent enrollment.
- Grants and contracts decreased by $1.4 million primarily due to several Federal and nongovernmental grants and contracts ending.

Operating Expenses

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

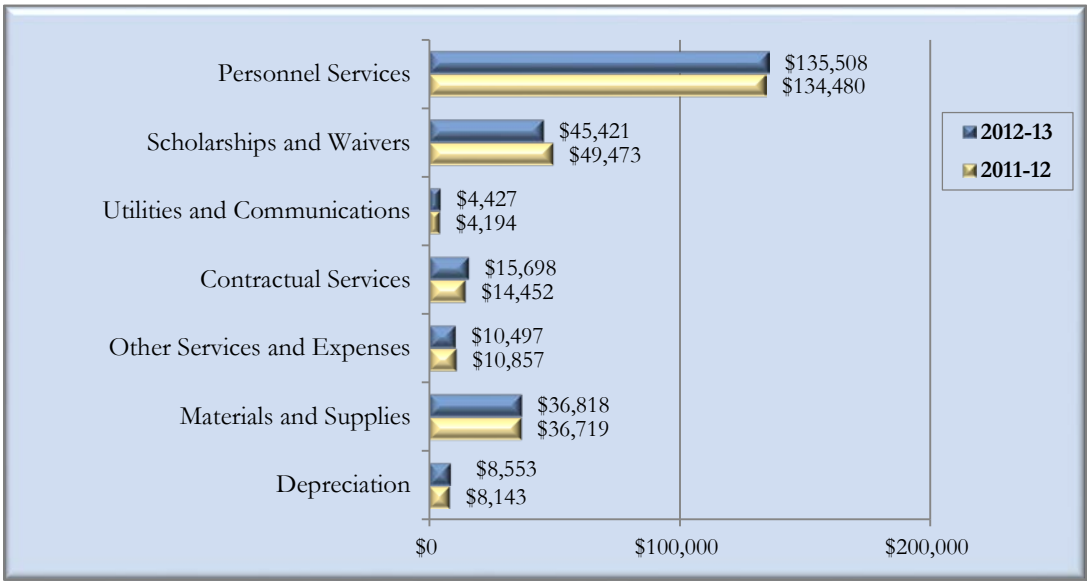
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-13	6-30-12	12-31-12	12-31-11
Personnel Services	$ 135,508	$ 134,480	$	$
Scholarships and Waivers	45,421	49,473		
Utilities and Communications	4,427	4,194		
Contractual Services	15,698	14,452		
Other Services and Expenses	10,497	10,857	7,551	6,101
Materials and Supplies	36,818	36,719		
Depreciation	8,553	8,143		
Total Operating Expenses	$ 256,922	$ 258,318	$ 7,551	$ 6,101

The following chart presents the College's operating expenses for the 2012-13 and 2011-12 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expense decreased by $1.4 million, or 0.5 percent, compared to the prior fiscal year. Significant changes were the result of the following factors:

- Personnel services expenses increased $1 million, or 0.8 percent, mainly due to an increase in the Florida Retirement contribution rate, the addition of instructional positions, and raises given as a result of the bargaining agreement.
- Scholarship expenses decreased by $4.1 million, or 8.2 percent, mainly due to a decrease of Pell Grant awards of $3.8 million.
- Contractual services expenses increased $1.2 million, or 8.6 percent, mainly due to increases in custodial services and information technology services contracts.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses): College
For the Fiscal Years Ended
(In Thousands)

	6-30-13	6-30-12
State Noncapital Appropriations	$ 72,142	$ 70,984
Federal and State Student Financial Aid	99,792	103,503
Investment Income	708	1,391
Other Nonoperating Revenues	805	168
Interest on Capital Asset-Related Debt	(890)	(956)
Net Nonoperating Revenues	$ 172,557	$ 175,090

Net nonoperating revenues decreased by $2.5 million, or 1.4 percent, as compared to the prior fiscal year. Significant changes were the result of the following:

- State noncapital appropriations increased by $1.2 million, or 1.6 percent, mainly due to an increase in State lottery revenues of $3.3 million which was offset by a reduction in College Program Fund revenues of $2.1 million.
- Federal and State student financial aid decreased by $3.7 million, or 3.6 percent, mainly due to a decrease in Pell Grant funding.

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 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College
For the Fiscal Years Ended
(In Thousands)

	6-30-13	6-30-12
State Capital Appropriations	$ 920	$ 2,917
Capital Grants, Contracts, Gifts, and Fees	8,486	6,751
Additions to Permanent Endowments	22	14
Total Other Revenues	$ 9,428	$ 9,682

Other Revenues decreased by $254 thousand, or 2.6 percent. Significant changes were the result of the following:

- State capital appropriations decreased primarily due to Public Education Capital Outlay allocations from the State for construction of College facilities decreasing from $2.3 million to $0.4 million in the current fiscal year.
- Capital grants, contracts, gifts, and fees increased primarily due to an increase in the capital improvement fee that generated additional revenue of $1.7 million, or an increase of 24.7 percent as compared to the prior fiscal year.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

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

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows: College
For the Fiscal Years Ended
(In Thousands)

	6-30-13	6-30-12
Cash Provided (Used) by:		
Operating Activities	$ (174,055)	$ (172,495)
Noncapital Financing Activities	172,256	175,145
Capital and Related Financing Activities	2,062	(7,664)
Investing Activities	(4,519)	(4,607)
Net Decrease in Cash and Cash Equivalents	(4,256)	(9,621)
Cash and Cash Equivalents, Beginning of Year	57,279	66,900
Cash and Cash Equivalents, End of Year	$ 53,023	$ 57,279

Major sources of funds came from Federal and State student financial aid ($100.7 million), State noncapital appropriations ($72.1 million), and net student tuition and fees ($40.2 million). Major uses of funds were for payments to employees ($106.9 million), to providers of goods and services ($63.4 million), and for scholarships ($45.4 million).

The College's overall cash and cash equivalents decreased by $4.3 million, or 7.4 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Noncapital financing activities decreased by $2.9 million, or 1.6 percent, due mainly from a decrease in Pell Grant revenue.
- Capital and related financing activities increased $9.7 million due mainly to a reduction in the purchase of capital assets of $21.6 million and an increase in cash received from the capital improvement fee of $1.7 million offset by a decrease in Public Education Capital Outlay funds received from the State of $14.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College had $353.4 million in capital assets, less accumulated depreciation of $156.9 million, for net capital assets of $196.5 million. Depreciation charges for the current fiscal year totaled $8.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

Capital Assets	2013	2012
Land	$ 17,630	$ 12,551
Construction in Progress	17,685	29,855
Buildings	156,478	143,383
Other Structures and Improvements	607	758
Furniture, Machinery, and Equipment	4,109	3,721
Assets Under Capital Leases	-	116
Capital Assets, Net	$ 196,509	$190,384

CAPITAL EXPENSES AND COMMITMENTS

The College has $17.6 million in major construction commitments at June 30, 2013, that include the following:

- Central Campus – Renovations to Buildings 8 and 3.
- South Campus – Building 72 Renovations, New Science Building, Soccer Field, and Building 68A expansion.

State appropriations together with local funds are expected to finance the construction and renovation of facilities. Additional information about the College's capital commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2013, the College had $18.7 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of $1.5 million, or 7.4 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2013, and June 30, 2012:

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

	2013	2012
SBE Capital Outlay Bonds	$ 2,830	$ 3,270
Capital Improvement Revenue Bonds	15,800	16,550
Capital Leases	76	376
Total Long-Term Debt	$18,706	$20,196

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2012-13 fiscal year, there were no bond sales and debt repayments totaled $1.2 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Increased resources for education have been identified by the State; therefore the College anticipates an increase in State funding for the 2013-14 fiscal year. Even with the anticipated increase in State funding, the College implemented a conservative budget for the 2013-14 fiscal year.

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 Jayson Iroff, CFO, Broward College, 6400 NW 6th Way, Fort Lauderdale, Florida 33309.

BASIC FINANCIAL STATEMENTS

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2013

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 29,510,060	$ 896,447
Restricted Cash and Cash Equivalents	2,570,693	
Accounts Receivable, Net	6,573,513	81,390
Notes Receivable, Net	524,595	
Due from Other Governmental Agencies	21,533,729	
Due from Component Unit	576,102	
Inventories	3,860,173	
Prepaid Expenses	116,249	21,991
Deposits	606,820	
Total Current Assets	65,871,934	999,828
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	20,942,831	
Investments	31,335,061	67,417,017
Restricted Investments	16,532,236	
Depreciable Capital Assets, Net	161,193,991	43,427
Nondepreciable Capital Assets	35,315,407	
Total Noncurrent Assets	265,319,526	67,460,444
TOTAL ASSETS	331,191,460	68,460,272
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,354,226	714,369
Salary and Payroll Taxes Payable	2,252,337	
Retainage Payable	1,289,779	
Due to Other Governmental Agencies	543,897	
Unearned Revenue	1,485,352	43,427
Estimated Insurance Claims Payable	7,759,850	
Deposits Held for Others	3,076,484	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,240,000	
Capital Leases Payable	76,269	
Compensated Absences Payable	814,285	
Total Current Liabilities	21,892,479	757,796
Noncurrent Liabilities:		
Bonds Payable	17,390,000	
Compensated Absences Payable	12,185,595	
Other Postemployment Benefits Payable	8,459,557	
Total Noncurrent Liabilities	38,035,152	
TOTAL LIABILITIES	59,927,631	757,796

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	$ 178,185,448	$
Restricted:		
Nonexpendable:		
Endowment	1,030,235	35,603,080
Expendable:		
Grants and Loans	6,273,826	
Scholarships	1,337,339	23,387,826
Capital Projects	51,514,117	
Debt Service	105,051	
Unrestricted	32,817,813	8,711,570
TOTAL NET POSITION	$ 271,263,829	$ 67,702,476

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $54,719,603	$ 40,502,117	$
Federal Grants and Contracts	3,979,811	
State and Local Grants and Contracts	2,490,930	
Nongovernmental Grants and Contracts	9,118,176	
Auxiliary Enterprises, Net of Scholarship Allowances of $8,735,676	14,533,876	
Other Operating Revenues	1,656,242	3,037,046
Total Operating Revenues	72,281,152	3,037,046
EXPENSES		
Operating Expenses:		
Personnel Services	135,507,550	
Scholarships and Waivers	45,420,665	
Utilities and Communications	4,426,992	
Contractual Services	15,698,348	
Other Services and Expenses	10,497,237	7,550,734
Materials and Supplies	36,817,692	
Depreciation	8,553,421	
Total Operating Expenses	256,921,905	7,550,734
Operating Loss	(184,640,753)	(4,513,688)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	72,141,999	
Federal and State Student Financial Aid	99,791,872	
Investment Income	708,169	7,668,113
Other Nonoperating Revenues	804,722	
Interest on Capital Asset-Related Debt	(889,572)	
Net Nonoperating Revenues	172,557,190	7,668,113
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,083,563)	3,154,425
State Capital Appropriations	920,450	
Capital Grants, Contracts, Gifts, and Fees	8,485,521	
Additions to Permanent Endowments	21,696	
Total Other Revenues	9,427,667	
Increase (Decrease) in Net Position	(2,655,896)	3,154,425
Net Position, Beginning of Year	273,919,725	64,548,051
Net Position, End of Year	$ 271,263,829	$67,702,476

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 40,230,300
Grants and Contracts	17,142,658
Payments to Suppliers	(63,369,556)
Payments for Utilities and Communications	(4,426,992)
Payments to Employees	(106,921,073)
Payments for Employee Benefits	(26,751,280)
Payments for Scholarships	(45,420,665)
Loans Issued to Students	(8,483,428)
Collection on Loans to Students	8,334,973
Auxiliary Enterprises, Net	13,954,019
Other Receipts	1,656,242
Net Cash Used by Operating Activities	(174,054,802)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	72,141,999
Federal and State Student Financial Aid	100,719,994
Federal Direct Loan Program Receipts	29,160,709
Federal Direct Loan Program Disbursements	(29,160,709)
Private Gifts for Endowment Purposes	21,696
Other Nonoperating Disbursements	(627,216)
Net Cash Provided by Noncapital Financing Activities	172,256,473
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	10,507,284
Capital Grants, Contracts, Gifts, and Fees	8,485,521
Proceeds from Sale of Capital Assets	82,070
Purchases of Capital Assets	(14,633,728)
Principal Paid on Capital Debt and Leases	(1,489,818)
Interest Paid on Capital Debt and Leases	(889,572)
Net Cash Provided by Capital and Related Financing Activities	2,061,757
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(6,065,619)
Investment Income	1,546,369
Net Cash Used by Investing Activities	(4,519,250)
Net Decrease in Cash and Cash Equivalents	(4,255,822)
Cash and Cash Equivalents, Beginning of Year	57,279,406
Cash and Cash Equivalents, End of Year	$ 53,023,584

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (184,640,753)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,553,421
Changes in Assets and Liabilities:	
Receivables, Net	(915,831)
Due from Other Governmental Agencies	850,951
Inventories	(501,536)
Prepaid Expenses	(36,088)
Accounts Payable	(428,347)
Salaries and Payroll Taxes Payable	301,870
Unearned Revenue	(81,649)
Deposits Held for Others	30,163
Compensated Absences Payable	886,341
Other Postemployment Benefits Payable	1,926,656
NET CASH USED BY OPERATING ACTIVITIES	$ (174,054,802)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (838,200)

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. 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 Broward College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2012.

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

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's component 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.

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

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

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

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

determining the amount of "coverage" applied from financial aid and other funds determined to be subject to tuition scholarship allowance as prescribed by NACUBO Advisory Report 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. The College maintains a detailed record of this activity in the Credit and Collection activity file at the financial aid and student level.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash with the State Treasury Special Purpose Investment Account (SPIA), and State Board of Education (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 in the SPIA and SBA Florida PRIME investment pool 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, 2013, the College reported as cash equivalents at fair value $344,994 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.65 years at June 30, 2013. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2013, the College reported as cash equivalents $25,081,638 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, 2013, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. 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.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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
- Assets Under Capital Leases – 10 years

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

2. INVESTMENTS

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

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College's investments at June 30, 2013, are reported at fair value, as follows:

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 412,691
State Board of Administration Debt Service Accounts	70,558
Mutual Funds	47,384,048
Total College Investments	$ 47,867,297

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2013, the College reported investments at fair value of $412,691 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 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, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling $70,558 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The College's other investments at June 30, 2013, consisted of mutual funds totaling $47,384,048.

The College's Investment Policy Statement provides for a short-term investment pool, an intermediate-term investment pool, and a long-term investment pool. The primary objective of the short-term investment pool (funds needed for expenditures in one year or less) is to provide for preservation of capital and liquidity. The primary objectives for the intermediate-term investment pool are the preservation of capital and maximization of income without undue risk within the specific parameters specified in the investment policy. The primary objectives for the long-term investment pool (funds not expected to be needed as working capital and are not intermediate-term) are to provide for long-term growth of principal and income without undue exposure to risk.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The following risks apply to these investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investments in mutual funds have portfolios with average durations ranging from 2.2 years to 8.3 years.

Credit Risk: Credit risk is the risk than an issuer or other counterparty will not fulfill its obligations. The College's investments in mutual funds at June 30, 2013, had portfolios with investments having an average credit quality of between AAA and BB.

Custodial credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College's investment policy provides that securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College's $47,384,048 of investments in mutual funds are held by the safekeeping agent in the name of the College.

Component Unit Investments

Investments held by the College's component unit at December 31, 2012, are reported at fair value as follows:

Investment Type	Amount
Marketable Securities Equities:	
Foreign	$ 16,754,336
Domestic	16,032,681
Other:	
Alternate Investments	18,611,145
Fixed Income	15,347,530
Money Market Funds	671,325
Total Component Unit Investments	$ 67,417,017

3. 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 contract and grant reimbursements due from third parties. These receivables are reported net of a $842,253 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program financial aid overpayments, and fee deficiencies. Notes receivable are reported net of a $5,138,559 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $15,411,698 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

6. DUE FROM COMPONENT UNIT

The College reported a due from component unit of $576,102, which represents expenditures made by the College that will be reimbursed by the component unit. The College's financial statements are reported for the fiscal year ended June 30, 2013. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2012. Accordingly, although the College reported an amount due from the component unit on the statement of net position, no amount is reported for the component unit as a payable to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore and office and educational supplies maintained in the central warehouse. The bookstore inventories are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. The central stores inventory is valued using the weighted-average cost method. 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, 2013, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 12,551,113	$ 5,078,592	$	$	$ 17,629,705
Construction in Progress	29,854,793		11,681,035	23,850,126	17,685,702
Total Nondepreciable Capital Assets	$ 42,405,906	$ 5,078,592	$ 11,681,035	$ 23,850,126	$ 35,315,407
Depreciable Capital Assets:					
Buildings	$ 248,320,361	$ (5,078,592)	$ 23,850,126	$	$ 267,091,895
Other Structures and Improvements	14,499,592				14,499,592
Furniture, Machinery, and Equipment	21,972,031	30,234	2,254,635	680,750	23,576,150
Assets Under Capital Lease	12,975,539				12,975,539
Total Depreciable Capital Assets	297,767,523	(5,048,358)	26,104,761	680,750	318,143,176
Less, Accumulated Depreciation:					
Buildings	104,937,524	(722,652)	6,399,200		110,614,072
Other Structures and Improvements	13,740,760		151,766		13,892,526
Furniture, Machinery, and Equipment	18,251,418	(14,155)	1,886,634	656,849	19,467,048
Assets Under Capital Lease	12,859,718		115,821		12,975,539
Total Accumulated Depreciation	149,789,420	(736,807)	8,553,421	656,849	156,949,185
Total Depreciable Capital Assets, Net	$ 147,978,103	$ (4,311,551)	$ 17,551,340	$ 23,901	$ 161,193,991

Note: (1) Adjustments to land and buildings relate to the reclassification of the land portion of the Miramar property purchase originally recorded as buildings in the 2006-07 fiscal year. Adjustments to furniture, machinery, and equipment relate to prior year corrections to the equipment listing.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

9. GRAVES MUSEUM ARTIFACTS

On March 28, 2005, the United States Bankruptcy Court named Broward College recipient of the Graves Museum of Archaeology and Natural History Collection. Out of 20 major collections, and 44 small collections of donated assets, approximately 80 percent have been fully cataloged and all artifacts have been photographed. College staff indicated it will take several more years to fully catalog the entire collection. While the collection is undoubtedly quite valuable and irreplaceable, the College has not placed a dollar valuation in these items and, accordingly, the financial statements do not include these assets.

10. UNEARNED REVENUE

Unearned revenue of $1,485,352 consists primarily of student tuition and fees recorded prior to fiscal year-end related to subsequent accounting periods.

11. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2013, include bonds payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 19,820,000	$	$ 1,190,000	$ 18,630,000	$ 1,240,000
Capital Leases Payable	376,087		299,818	76,269	76,269
Compensated Absences Payable	12,113,539	1,897,294	1,010,953	12,999,880	814,285
Other Postemployment Benefits Payable	6,532,901	2,159,059	232,403	8,459,557	
Total Long-Term Liabilities	$ 38,842,527	$ 4,056,353	$ 2,733,174	$ 40,165,706	$ 2,130,554

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2008A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2008A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2008A bonds. The Series 2008A bonds constitute the second series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2008A bonds will share the lien of such additional bonds on the Series 2008A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for the construction of a multi-level parking structure at the College's Central Campus.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005B	$ 2,830,000	5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2008A	15,800,000	3.4 - 5.0	2028
Total	$ 18,630,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2014	$ 1,240,000	$ 832,784	$ 2,072,784
2015	1,295,000	780,534	2,075,534
2016	1,345,000	728,744	2,073,744
2017	1,415,000	661,494	2,076,494
2018	1,485,000	599,494	2,084,494
2019-2023	5,425,000	2,209,631	7,634,631
2024-2028	6,425,000	925,375	7,350,375
Total	$ 18,630,000	$ 6,738,056	$ 25,368,056

In prior fiscal years, portions of the SBE Capital Outlay Bonds, Series 1998A and 2000A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included on the College's statement of net position. As of June 30, 2013, $2,080,000 of SBE Capital Outlay Bonds, Series 1998A, and $880,000 of SBE Capital Outlay Bonds, Series 2000A, are considered defeased in-substance.

Capital Leases Payable. In April 1997, energy management equipment in the amount of $12,975,539 was acquired under several capital lease agreements. The stated interest rates range from 3.29 to 3.61 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014	$ 77,077
Less, Amount Representing Interest	808
Present Value of Minimum Payments	$ 76,269

BROWARD COLLEGE
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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, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $12,999,880. The current portion of the compensated absences liability, $814,285, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

Plan Description. The Other 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 self-insured health and hospitalization plan for medical and prescription drug coverage. 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. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 103 retirees received other postemployment benefits. The College provided required contributions of $232,403 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 $763,941, which represents 1.05 percent of covered payroll.

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

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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:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 1,307,913
Amortization of Unfunded Actuarial Accrued Liability	841,095
Annual Required Contribution	2,149,008
Interest on Net OPEB Obligation	261,316
Adjustment to Annual Required Contribution	(251,265)
Annual OPEB Cost (Expense)	2,159,059
Contribution Toward the OPEB Cost	(232,403)
Increase in Net OPEB Obligation	1,926,656
Net OPEB Obligation, Beginning of Year	6,532,901
Net OPEB Obligation, End of Year	$ 8,459,557

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, 2013, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 1,787,278	24.3%	$ 5,006,817
2011-12	2,048,871	25.5%	6,532,901
2012-13	2,159,059	10.8%	8,459,557

Funded Status and Funding Progress. As of October 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $20,619,034, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $20,619,034 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $72,691,601 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.4 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.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of October 1, 2011, used the entry age normal cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the College's 2012-13 fiscal year ARC. This method was selected because it was the most common method used for governmental pension valuation and spreads the costs evenly throughout the collective careers of those in the covered workforce. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, and an inflation rate of 3 percent. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an annual healthcare cost trend rate of 8.5 percent for the 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on closed basis. The remaining amortization period at June 30, 2013, was 24 years.

12. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled $6,093,599, $4,156,025, and $4,447,794, respectively, which were equal to the required contributions for each fiscal year.

There were 288 College participants in the Investment Plan during the 2012-13 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $1,135,493, which was equal to the required contribution for the 2012-13 fiscal year.

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

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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 eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 196 College participants during the 2012-13 fiscal year. The College's contributions to the Program totaled $712,763 and employee contributions totaled $379,129 for the 2012-13 fiscal year.

13. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2013, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Central Campus:			
Building 8 Renovations	$ 19,773,863	$ 6,869,922	$ 12,903,941
Building 3 Renovations	1,000,000		1,000,000
South Campus:			
Building 72 Renovations	10,630,561	9,416,537	1,214,024
Science Building	1,000,000	266,905	733,095
Soccer Field	1,268,788	9,329	1,259,459
Building 68A Expansion	500,000		500,000
Total Construction Commitments	$ 34,173,212	$ 16,562,693	$ 17,610,519

14. OPERATING LEASE COMMITMENTS

The College leased building space under an operating lease, which expires in 2018. This leased asset and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are

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contingent upon future appropriations. Future minimum lease commitments for this noncancelable operating lease are as follows:

Fiscal Year Ending June 30	Amount
2014	$ 219,850
2015	238,768
2016	257,686
2017	276,604
2018	70,333
Total Minimum Payments Required	$ 1,063,241

15. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to $90 million to February 28, 2013, and up to $125 million from March 1, 2013. 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 commercial coverage in any of the past three fiscal years.

Life, dental, and long-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $225,000 per insured person for the 2012-13 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically. The amount reported for estimated claims liability at June 30, 2013 totaled $7,759,850; which includes the college's estimate of

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claims liability of $1,378,544 and $6,381,306 representing amounts held in excess of the claims liability, classified as insurance claim deposits. The College will use those deposits to pay claims incurred in future years.

The following schedule represents the changes in claims liability for the past two fiscal years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2011-12	$ 10,275,702	$ 12,785,015	$ (13,769,125)	$ 9,291,592
2012-13	9,291,592	12,979,249	(14,510,991)	7,759,850

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	$ 80,382,680
Public Services	1,545,735
Academic Support	20,698,125
Student Services	21,573,129
Institutional Support	33,764,272
Operation and Maintenance of Plant	24,911,313
Scholarships and Waivers	45,757,866
Depreciation	8,553,421
Auxiliary Enterprises	19,735,364
Total Operating Expenses	$ 256,921,905

17. FISCAL AGENT FOR THE HIGHER EDUCATION TECHNOLOGY GROUP

Effective July 1, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from HETGroup and for certain personnel functions. For the 2012-13 fiscal year, HETGroup revenues and expenditures totaled $3,258,788 and $2,880,946, respectively, and are reported as operating nongovernmental grants and contracts and operating expenditures, respectively, on the statement of revenues,

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expenses, and changes in net position. At June 30, 2013, net position of the HETGroup totaling $2,328,539 are held in the College's Current Restricted Fund.

18. SUBSEQUENT EVENTS

On July 9, 2013, the College entered into a long-term ground lease with a third-party regarding land owned by the College in Miramar, Florida, with a total rent payment of $2 million. The third-party will construct an educational building of 80,000 square feet on the site in accordance with specifications dictated by the College. The building will be owned by the third-party. Once completed, the College will occupy and lease approximately 45,000 square feet of the building at an initial cost of $23 per square foot. Also, the College will sub-lease and irrevocably assign the rental obligation of approximately 35,000 square feet to Florida International University (University) with similar lease rates. The College will pay the operating costs of the building and the University will reimburse the College for its pro-rata share pursuant to a separate operating and maintenance agreement. The College and University will begin to make rent payments directly to the third-party upon occupancy, which is anticipated to be July 2014. The lease term for both entities is twenty years with two five-year renewal options.

BROWARD 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]
10/1/2007	$	$ 19,439,651	$ 19,439,651	0%	$ 61,198,715	31.8%
10/1/2009		18,692,337	18,692,337	0%	63,329,742	29.5%
10/1/2011		20,619,034	20,619,034	0%	69,895,770	29.5%

Note: (1) The College's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the actualial accrued liability.

BROWARD COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The October 1, 2011, unfunded actuarial accrued liability of $20,619,034 was higher than the October 1, 2009, liability of $18,692,337 as a result of an increase in the covered payroll of $6,566,028 or 10.4 percent.

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Legislative Auditing Committee

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Broward 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 7, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 7, 2014