

# POLK STATE COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

Gregory Littleton, Vice Chair to 8-23-09,

Chair from 8-24-09

Ricardo Garcia, Vice Chair from 8-24-09

Twyla G. Ely, Chair to 8-23-09 (1)

Linda D. Ivell, from 8-26-09 to 6-15-10 (2)

Teresa V. Martinez from 8-26-09

Ernest S. Pinner

Dr. Neriah E. Roberts

Cynthia Ross

Dr. Martha Santiago to 8-25-09 (1)

Dr. Eileen Holden, President

Notes: (1) Continued to serve after term expired  
May 31, 2009.

(2) Position remained vacant at June 30, 2010.

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

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

Our audit objectives were to determine whether Polk State College and its officers with administrative and stewardship responsibilities for College operations had:

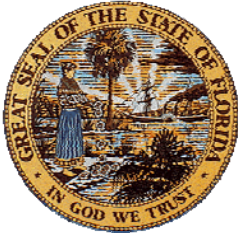
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2011-012.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Polk State 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 31. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk State College and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Polk State College Foundation, Inc. (Foundation), a component unit of the College, changed its fiscal year from July through June to January through December. As a result of this change, the College's 2009-10 fiscal year financial statements included the Foundation's financial activities for the

six-month period ending December 31, 2009. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the discretely presented component unit column for the 2009-10 fiscal year with the amounts reported for the 2008-09 fiscal year.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 32 and 33 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
March 7, 2011

## 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, 2010, 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.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$81.5 million at June 30, 2010. This balance reflects a \$3.5 million, or 4.1 percent, decrease from the 2008-09 fiscal year, resulting mainly from a spending down of previously recorded Public Education Capital Outlay (PECO) appropriations. PECO appropriations were used on the renovation of the Lakeland Campus Student Center as well as collegewide noncapitalized repairs and maintenance performed during the fiscal year. While assets decreased, liabilities increased by \$0.5 million, or 8.8 percent, totaling \$6.7 million at June 30, 2010, compared to \$6.2 million at June 30, 2009. This increase is mainly attributable to the increase in salaries payable due to the funding increase in instructional costs associated with enrollment growth. As a result, the College's net assets decreased by \$4.1 million, reaching a year-end balance of \$74.8 million.

The College's operating revenues totaled \$18.1 million for the 2009-10 fiscal year, representing a 16.8 percent increase over the 2008-09 fiscal year due mainly to enrollment growth, increases in tuition and fee rates, and new Federal, State, and local operating grants. Operating expenses totaled \$61.5 million for the 2009-10 fiscal year, representing an increase of 12.6 percent over the 2008-09 fiscal year due mainly to the increased cost of personnel services and scholarship expenses related to increased enrollment.

### OVERVIEW OF FINANCIAL STATEMENTS

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

- Polk State 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.
- Polk State 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 changed its fiscal year-end from June 30 to December 31, resulting in its financial statements being presented for the six-month period ended December 31, 2009.

### 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 Polk State College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Polk State College's operating results.

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

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

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

	College		Component Unit	
	6-30-10	6-30-09	12-31-09	06-30-09
<b>Assets</b>				
Current Assets	\$ 18,064	\$ 21,354	\$ 19,276	\$ 19,428
Capital Assets, Net	60,895	60,690	133	13
Other Noncurrent Assets	2,537	2,964	14,615	13,012
<b>Total Assets</b>	<b>81,496</b>	<b>85,008</b>	<b>34,024</b>	<b>32,453</b>
<b>Liabilities</b>				
Current Liabilities	3,819	3,316	12,455	12,352
Noncurrent Liabilities	2,918	2,875		
<b>Total Liabilities</b>	<b>6,737</b>	<b>6,191</b>	<b>12,455</b>	<b>12,352</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	60,186	59,895	13	13
Restricted	11,873	15,854	21,293	19,613
Unrestricted	2,700	3,068	263	475
<b>Total Net Assets</b>	<b>\$ 74,759</b>	<b>\$ 78,817</b>	<b>\$ 21,569</b>	<b>\$ 20,101</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (4,058)</b>	<b>-5.1%</b>	<b>\$ 1,468</b>	<b>7.3%</b>

Current assets decreased mainly due to the expenditure of PECO funds that were appropriated and reported in prior fiscal years. Current liabilities increased primarily due to the increase in salaries and benefits payable.

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

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

	College		Component Unit	
	6-30-10	6-30-09	12-31-09 (1)	6-30-09
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 9,873	\$ 8,918	\$	\$
Federal Grants and Contracts	2,884	1,867		
State and Local Grants and Contracts	3,490	3,033		
Nongovernmental Grants and Contracts	1,024	926		
Sales and Services of Educational Departments	95	56	256	
Auxiliary Enterprises	455	365		
Other Operating Revenues	303	353	471	3,516
<b>Total Operating Revenues</b>	<b>18,124</b>	<b>15,518</b>	<b>727</b>	<b>3,516</b>
Less, Operating Expenses	61,483	54,583	1,221	2,825
<b>Operating Income (Loss)</b>	<b>(43,359)</b>	<b>(39,065)</b>	<b>(494)</b>	<b>691</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	17,497	19,168		
Other Nonoperating Revenues	17,688	9,710	148	364
Nonoperating Expenses	(40)	(43)		
Unrealized Gain (Loss) on Investments			108	(30)
<b>Net Nonoperating Revenues</b>	<b>35,145</b>	<b>28,835</b>	<b>256</b>	<b>334</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(8,214)	(10,230)	(238)	1,025
Capital Appropriations	2,781	4,181		
Capital Grants, Contracts, Gifts, and Fees	1,375	1,324		
Additions to Permanent Endowments			1,706	
Other Expense				(732)
<b>Increase (Decrease) in Net Assets</b>	<b>(4,058)</b>	<b>(4,725)</b>	<b>1,468</b>	<b>293</b>
Net Assets, Beginning of Year	78,817	83,542	20,101	19,808
<b>Net Assets, End of Year</b>	<b>\$ 74,759</b>	<b>\$ 78,817</b>	<b>\$ 21,569</b>	<b>\$ 20,101</b>

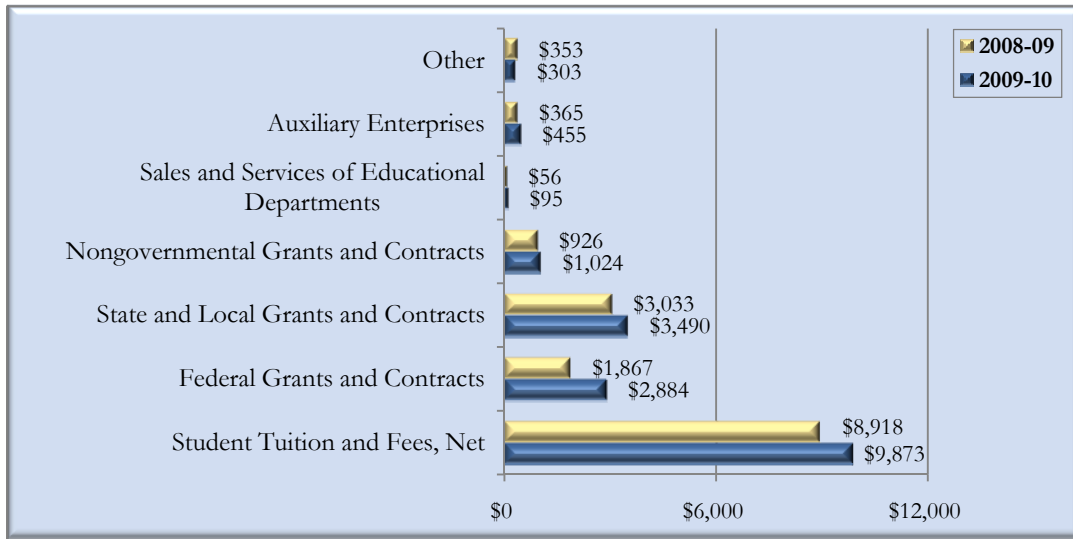
Note: (1) Amounts are for the six-month period ended December 31, 2009.

### Operating Revenues

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

The following chart presents the College's operating revenues for the 2009-10 and 2008-09 fiscal years:

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



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

- Student tuition, net of scholarship allowances, increased \$1 million, or 10.7 percent. This increase is a result of enrollment growth and an increase in student tuition and fee rates.
- Federal grants and contracts increased by \$1 million, or 54.5 percent. This increase is related to increased activity on the National Science Foundation and the Supply Chain Management grants.
- State and local grants and contracts increased by \$0.5 million, or 15 percent. This increase is due mainly to the addition of a Ferguson Enterprises Quick Response Training grant received and increased activity on the Lockheed Martin Quick Response Training grant.

**Operating Expenses**

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

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

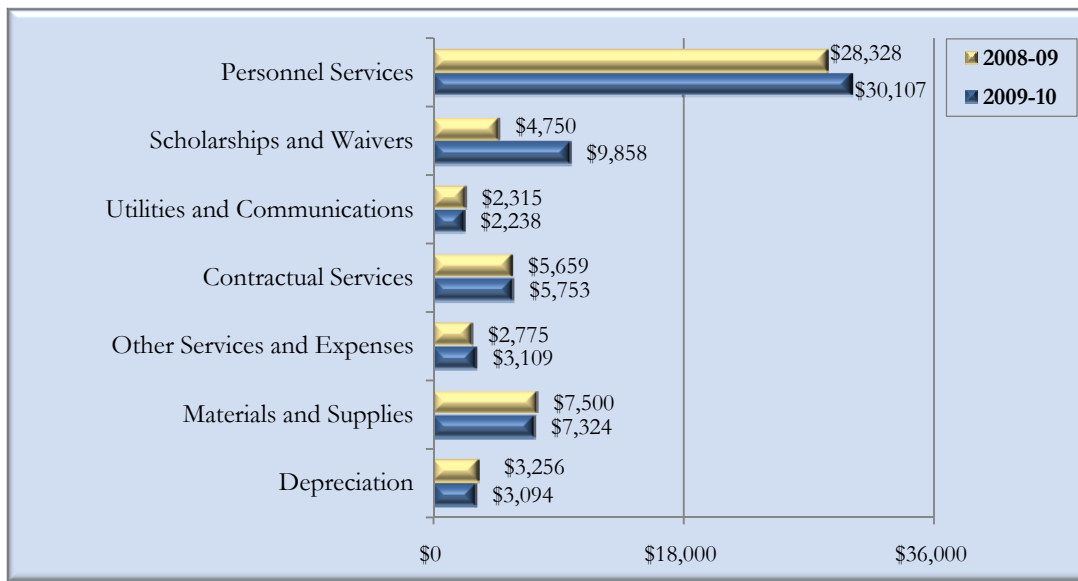
**Operating Expenses  
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	12-31-09 (1)	6-30-09
<b>Operating Expenses</b>				
Personnel Services	\$ 30,107	\$ 28,328	\$ 211	\$ 412
Scholarships and Waivers	9,858	4,750	570	1,161
Utilities and Communications	2,238	2,315	10	16
Contractual Services	5,753	5,659	259	447
Other Services and Expenses	3,109	2,775	156	714
Materials and Supplies	7,324	7,500	15	75
Depreciation	3,094	3,256		
<b>Total Operating Expenses</b>	<b>\$ 61,483</b>	<b>\$ 54,583</b>	<b>\$ 1,221</b>	<b>\$ 2,825</b>

Note: (1) Amounts are for the six-month period ended December 31, 2009.

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



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

- Personnel services cost increased \$1.8 million or 6.3 percent. This increase is due mainly to the additional costs of instruction resulting from enrollment growth and a mid-year, one-time special payment for regular full- and part-time employees.
- Scholarships and waivers increased \$5.1 million, or 107.5 percent due to the tuition and fee rate increase and the increased student population receiving Federal Pell grants.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State 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 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$ 17,497	\$ 19,168
Gifts and Grants	17,370	9,561
Investment Income	63	149
Other Nonoperating Revenues	255	
Interest on Capital Asset-Related Debt	<u>(40)</u>	<u>(43)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$35,145</u></b>	<b><u>\$28,835</u></b>

Net nonoperating revenues increased over the prior fiscal year. Increases in nonoperating gifts and grants totaled \$7.8 million, or 81.7 percent. This increase is due primarily to increases in financial aid caused by enrollment growth, tuition and fee rate increases, and a higher number of students receiving Federal Pell grants. State appropriations decreased by \$1.7 million, or 8.7 percent. This was offset by the College’s portion of the American Reinvestment and Recovery Act (ARRA) funds totaling \$1.5 million.

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

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 2,781	\$ 4,181
Capital Grants, Contracts, Gifts, and Fees	<u>1,375</u>	<u>1,324</u>
<b>Total</b>	<b><u>\$ 4,156</u></b>	<b><u>\$ 5,505</u></b>

Capital appropriations decreased primarily due to the decrease in PECO funding from the State.

**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 2009-10 and 2008-09 fiscal years is presented in the following table:

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

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$ (40,093)	\$ (36,169)
Noncapital Financing Activities	33,817	29,075
Capital and Related Financing Activities	4,104	3,275
Investing Activities	<u>62</u>	<u>149</u>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(2,110)</b>	<b>(3,670)</b>
Cash and Cash Equivalents, Beginning of Year	<u>13,151</u>	<u>16,821</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 11,041</u></b>	<b><u>\$ 13,151</u></b>

Major sources of funds came from State appropriations (\$17.5 million), capital appropriations (\$5.7 million), net student tuition and fees (\$9.5 million), and grants and contracts (\$7.4 million). Major uses of funds were for payments to employees (\$29.8 million), to providers of goods and services (\$16.1 million), and for payments for scholarships (\$9.9 million).

Changes in cash and cash equivalents were primarily the result of an increase in cash used by operating activities due to the increase in personnel costs and in payments for scholarships.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2010, the College had \$97.8 million in capital assets, less accumulated depreciation of \$36.9 million, for net capital assets of \$60.9 million. Depreciation charges for the current fiscal year totaled \$3.1 million. The following table summarizes the College's capital assets at June 30, 2010, and June 30, 2009:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 4,577	\$ 4,577
Buildings	78,514	78,514
Other Structures and Improvements	5,242	5,091
Furniture, Machinery, and Equipment	5,151	4,897
Assets Under Capital Lease	1,055	1,055
Leasehold Improvements	494	494
Construction in Progress	<u>2,746</u>	<u>50</u>
<b>Total</b>	<b><u>97,779</u></b>	<b><u>94,678</u></b>
Less, Accumulated Depreciation:		
Buildings	28,061	26,014
Other Structures and Improvements	3,937	3,735
Furniture, Machinery, and Equipment	3,756	3,135
Assets Under Capital Lease	1,055	1,055
Leasehold Improvements	<u>74</u>	<u>49</u>
<b>Total Accumulated Depreciation</b>	<b><u>36,883</u></b>	<b><u>33,988</u></b>
<b>Capital Assets, Net</b>	<b><u>\$60,896</u></b>	<b><u>\$60,690</u></b>

The College has \$1.8 million in construction commitments at June 30, 2010. The construction commitments are for projects that include the renovation of the Lakeland Campus Student Center, and the construction of the Chain of Lakes High School Building and the Winter Haven Campus Greenhouse. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. 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 \$0.7 million in long-term debt outstanding versus \$0.8 million at the end of the prior fiscal year, a decrease of 12.5 percent.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, there were no bond sales and debt repayments totaled \$85 thousand. Additional information about the College's long-term debt is presented in the notes to financial statements.

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

Polk State College's economic condition is closely tied to that of the State of Florida. Initial State appropriations for the 2010-11 fiscal year are greater than those received in the 2009-10 fiscal year due to additional dollars pledged by the State to fund the increased workload at the College and to grow the College's Baccalaureate programs. The 2010-11 revenue budget includes \$1.5 million in Federal ARRA funds as the final allocation of Federal economic stimulus funds. Continued limited economic growth in the State and increased demand on State resources suggests uncertainty regarding the level of future State allocations. As a result of this uncertainty, the Board of Trustees adopted an eight percent increase in tuition rates for the 2010-11 fiscal year. This infusion of additional resources will supplement the costs of funding educational programs offered by the College and allow the College to continue to address the strategic priorities established by the Board of Trustees.

Although the College anticipates continued enrollment growth, the projected tuition revenue of \$12.9 million for the 2010-11 fiscal year, is conservatively based on the premise of sustaining current enrollment. The College continues to implement cost-saving measures to control expenses. Polk State College has established board-designated reserves as a precautionary measure to offset potential State funding reductions, including the loss of ARRA funds, while maintaining the current level of operations. These funds are to be utilized as needed should economic conditions decline to the point that the State is forced to cut state allocations or is unable to fill the gap resulting from the loss of ARRA funds in the 2011-12 fiscal year.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Administration/CFO, Polk State College, 999 Avenue H, Northeast, Winter Haven, Florida 33881.

## BASIC FINANCIAL STATEMENTS

### POLK STATE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2010

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 6,127,841	\$ 9,632
Restricted Cash and Cash Equivalents	2,395,471	3,062,564
Investments		299,838
Restricted Investments		15,757,910
Contributions Receivable, Net		86,861
Accounts Receivable, Net	902,740	
Notes Receivable, Net	1,843	59,513
Due from Other Governmental Agencies	8,551,513	
Due from Component Unit	84,179	
<b>Total Current Assets</b>	<b>18,063,587</b>	<b>19,276,318</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,518,006	347,282.00
Restricted Investments	18,947	12,072,595
Contributions Receivable, Net		1,457,286
Notes Receivable		738,068
Depreciable Capital Assets, Net	53,572,287	
Nondepreciable Capital Assets	7,323,312	132,615
<b>Total Noncurrent Assets</b>	<b>63,432,552</b>	<b>14,747,846</b>
<b>TOTAL ASSETS</b>	<b>\$ 81,496,139</b>	<b>\$ 34,024,164</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 825,215	\$ 121,683
Salary and Payroll Taxes Payable	2,053,714	
Retainage Payable	212,101	
Due to Other Governmental Agencies	238,033	
Deferred Revenue	322,105	11,600
Deposits Held for Others	69,663	
Advance Deposit		12,321,819
Long-Term Liabilities - Current Portion:		
Bonds Payable	85,000	
Compensated Absences Payable	12,858	
<b>Total Current Liabilities</b>	<b>3,818,689</b>	<b>12,455,102</b>
Noncurrent Liabilities:		
Bonds Payable	625,000	
Compensated Absences Payable	2,199,713	
Other Postemployment Benefits Payable	93,463	
<b>Total Noncurrent Liabilities</b>	<b>2,918,176</b>	
<b>TOTAL LIABILITIES</b>	<b>6,736,865</b>	<b>12,455,102</b>

**POLK STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 60,185,599	\$ 12,782
Restricted:		
Nonexpendable:		
Endowment		13,416,961
Expendable:		
Allied Health and Medical		1,615,333
Grants and Loans	3,402,828	762,822
Scholarships	150,787	3,358,042
Capital Projects	8,300,624	2,140,267
Debt Service	18,947	
Other		
Unrestricted	2,700,489	262,855
<b>Total Net Assets</b>	<b>74,759,274</b>	<b>21,569,062</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 81,496,139</b>	<b>\$ 34,024,164</b>

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

**POLK STATE 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, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,878,448	\$ 9,873,393	\$
Federal Grants and Contracts	2,884,263	
State and Local Grants and Contracts	3,489,599	
Nongovernmental Grants and Contracts	1,024,054	
Sales and Services of Educational Departments	95,380	255,646
Auxiliary Enterprises	454,746	
Other Operating Revenues	302,512	471,033
<b>Total Operating Revenues</b>	<b>18,123,947</b>	<b>726,679</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	30,106,560	210,409
Scholarships and Waivers	9,857,449	569,820
Utilities and Communications	2,237,980	9,978
Contractual Services	5,753,349	259,166
Other Services and Expenses	3,108,684	156,036
Materials and Supplies	7,324,406	15,363
Depreciation	3,094,244	
<b>Total Operating Expenses</b>	<b>61,482,672</b>	<b>1,220,772</b>
<b>Operating Loss</b>	<b>(43,358,725)</b>	<b>(494,093)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	17,497,376	
Gifts and Grants	17,369,906	
Investment Income	62,477	148,547
Other Nonoperating Revenues	254,980	
Net Realized and Unrealized Gain on Investments		107,627
Interest on Capital Asset-Related Debt	(39,750)	
<b>Net Nonoperating Revenues</b>	<b>35,144,989</b>	<b>256,174</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(8,213,736)</b>	<b>(237,919)</b>
Capital Appropriations	2,780,711	
Capital Grants, Contracts, Gifts, and Fees	1,375,342	
Additions to Permanent Endowments		1,705,763
<b>Total Other Revenues</b>	<b>4,156,053</b>	<b>1,705,763</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(4,057,683)</b>	<b>1,467,844</b>
Net Assets, Beginning of Year	78,816,957	20,101,218
<b>Net Assets, End of Year</b>	<b>\$ 74,759,274</b>	<b>\$ 21,569,062</b>

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

**Polk State COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 9,530,739
Grants and Contracts	7,397,916
Payments to Suppliers	(16,109,032)
Payments for Utilities and Communications	(2,237,980)
Payments to Employees	(24,372,486)
Payments for Employee Benefits	(5,442,728)
Payments for Scholarships	(9,857,449)
Net Loans Issued to Students	21,535
Auxiliary Enterprises	454,746
Sales and Services of Educational Departments	95,380
Other Receipts	425,952
	<b>(40,093,407)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	17,497,376
Gifts and Grants Received for Other Than Capital or Endowment Purposes	16,319,439
	<b>33,816,815</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	5,685,515
Capital Grants and Gifts	1,375,342
Proceeds from Sale of Capital Assets	254,980
Purchases of Capital Assets	(3,087,255)
Principal Paid on Capital Debt	(85,000)
Interest Paid on Capital Debt	(39,750)
	<b>4,103,832</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	62,477
	<b>62,477</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,110,283)</b>
Cash and Cash Equivalents, Beginning of Year	13,151,601
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,041,318</b>

**POLK STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (43,358,725)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,094,244
Changes in Assets and Liabilities:	
Receivables, Net	(322,825)
Accounts Payable	272,768
Deferred Revenue	139,621
Deposits Held for Others	(36,012)
Compensated Absences Payable	55,733
Loans to Students	21,535
Other Postemployment Benefits Payable	40,254
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (40,093,407)</b>

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

**POLK STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the six-month period ended December 31, 2009. The Foundation changed its fiscal year from July through June to January through December, and the financial statements were presented for a six-month period. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the discretely presented component unit column for the 2009-10 fiscal year (six-month period) with amounts reported for the 2008-09 fiscal year.

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

**POLK STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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

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

**POLK STATE COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College is able to identify, within its accounting system, amounts paid for tuition and fees by financial aid. The College records a scholarship allowance against tuition and fees for the total amount paid by financial aid.

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

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Leasehold Improvements – Life of Lease – 20 years
- Furniture, Machinery, and Equipment:

**POLK STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

- Computer Equipment – 3 years
- Vehicles, Office Machines, and Educational Equipment – 5 years
- Furniture – 7 years
- Assets Under Capital Lease – 5 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, formerly known as the Local Government Surplus Funds Trust Fund investment pool, administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

### **State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$18,947 at June 30, 2010, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**POLK STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**Component Unit Investments**

Investments held by the College’s component unit (Foundation) at December 31, 2009, are reported at fair market value as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Money Market Funds	\$ 13,798,537
Mutual Stock Funds	7,525,274
Mutual Allocation Funds	45,039
Mutual Bond Funds	<u>6,761,493</u>
<b>Total Investments</b>	<b><u>\$ 28,130,343</u></b>

*Interest Rate Risk:* Interest rate risk is the risk that changes interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy limits the maximum maturity for any fixed-income security to 30 years, and limits the weighted-average portfolio maturity to not more than 15 years. The Foundation’s maturities for its investments in mutual bond funds, which had a weighted-average maturity of 6.17 years, were as follows at December 31, 2009:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Mutual Bond Funds	<u>\$ 6,761,493</u>	<u>\$ 264</u>	<u>\$ 3,030,675</u>	<u>\$ 754,224</u>	<u>\$ 2,976,330</u>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy is to invest only in fixed-income investment grade bonds rated BBB (or equivalent) or better except that up to 10 percent of the portfolio can be invested in mutual funds that focus their investment strategy on below investment grade bonds. Also, the Foundation’s policy allows investments in commercial paper rated A1 (or equivalent) or better.

As a means of limiting exposure to credit defaults, the Foundation focuses its fixed income portfolio on bond funds of higher credit quality. Of the seven bond funds, one fund focuses on investing in lower rated securities, which tend to have a higher degree of credit risk. The investment in this fund is less than \$40,000 and represents a small allocation of the overall portfolio. The average credit quality of the portfolio is AA.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation’s investment in a single issuer. The stock component of the portfolio is invested across 30 mutual funds with the largest individual fund allocation comprising approximately 6 percent of the total portfolio. These funds invest in a variety of securities. When the individual holdings of the funds are aggregated, it is not expected that any one equity security makes up over 1 percent of the overall portfolio.

**POLK STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and grant reimbursements due from third parties. These receivables are reported net of a \$144,730 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the College's short-term loan program. Notes receivable are reported net of a \$46,195 allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$6,762,919 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM COMPONENT UNIT**

The \$84,179 reported as due from component unit mainly consists of amounts owed to the College by the Foundation for sponsored nursing instruction. The College's financial statements are reported for the fiscal year ended June 30, 2010. The component unit's financial statements are reported for the six-month period ending December 31, 2009. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, the component unit did not report an amount due to the College.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

**POLK STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 4,577,601	\$	\$	\$ 4,577,601
Construction in Progress	49,800	2,695,911		2,745,711
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 4,627,401</b>	<b>\$ 2,695,911</b>	<b>\$</b>	<b>\$ 7,323,312</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 78,514,672	\$	\$	\$ 78,514,672
Other Structures and Improvements	5,090,811	150,632		5,241,443
Furniture, Machinery, and Equipment	4,896,940	452,815	199,002	5,150,753
Leasehold Improvements	493,964			493,964
Assets Under Capital Lease	1,054,941			1,054,941
<b>Total Depreciable Capital Assets</b>	<b>90,051,328</b>	<b>603,447</b>	<b>199,002</b>	<b>90,455,773</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	26,014,059	2,046,984		28,061,043
Other Structures and Improvements	3,734,439	202,811		3,937,250
Furniture, Machinery, and Equipment	3,135,409	819,751	199,002	3,756,158
Leasehold Improvements	49,396	24,698		74,094
Assets Under Capital Lease	1,054,941			1,054,941
<b>Total Accumulated Depreciation</b>	<b>33,988,244</b>	<b>3,094,244</b>	<b>199,002</b>	<b>36,883,486</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 56,063,084</b>	<b>\$ (2,490,797)</b>	<b>\$</b>	<b>\$ 53,572,287</b>

**8. DEFERRED REVENUE**

At June 30, 2010, the College reported \$322,105 in deferred revenue for student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2010, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 795,000	\$	\$ 85,000	\$ 710,000	\$ 85,000
Compensated Absences Payable	2,156,838	179,703	123,970	2,212,571	12,858
Other Postemployment Benefits Payable	53,209	83,418	43,164	93,463	
<b>Total Long-Term Liabilities</b>	<b>\$ 3,005,047</b>	<b>\$ 263,121</b>	<b>\$ 252,134</b>	<b>\$ 3,016,034</b>	<b>\$ 97,858</b>

**Bonds Payable.** The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2010:

**POLK STATE COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005A	\$ 710,000	5.0	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 85,000	\$ 35,500	\$ 120,500
2012	90,000	31,250	121,250
2013	95,000	26,750	121,750
2014	100,000	22,000	122,000
2015	110,000	17,000	127,000
2016-2017	230,000	17,250	247,250
<b>Total</b>	<b>\$ 710,000</b>	<b>\$ 149,750</b>	<b>\$ 859,750</b>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$2,212,571. Of this amount, \$12,858 is considered a current liability as this is expected to be paid in the coming fiscal year. The College calculates its current portion of compensated absences liability by applying the remaining percentage of time for those employees in the Deferred Retirement Option Program plus the total payouts of all employees who have notified the College that they are leaving employment during the next fiscal year.

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

*Plan Description.* The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plans 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

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expected to result in higher costs to the plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the plan and the plan is not included in the annual report of a public employees' retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend the 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 50 retirees received postemployment healthcare benefits, and 44 retirees received postemployment life insurance benefits. The College provided required contributions of \$83,669 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$274,669.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 58,488
Amortization of Unfunded Actuarial Accrued Liability	<u>25,181</u>
<b>Annual Required Contribution</b>	83,669
Interest on Net OPEB Obligation	1,596
Adjustment to Annual Required Contribution	<u>(1,847)</u>
<b>Annual OPEB Cost (Expense)</b>	83,418
Contribution Toward the OPEB Cost	<u>(43,164)</u>
<b>Increase in Net OPEB Obligation</b>	40,254
Net OPEB Obligation, Beginning of Year	<u>53,209</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 93,463</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	72,371	70.3%	21,503
2008-09	72,299	56.1%	53,209
2009-10	83,669	51.7%	93,463

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$733,413 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$733,413 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$15,746,831 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.7 percent.

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

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

The College’s OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College’s 2009-10 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after 17 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

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JUNE 30, 2010**

**10. RETIREMENT PROGRAMS**

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

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

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal

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**JUNE 30, 2010**

years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$1,109,425, \$1,148,174, and \$1,170,072, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 94 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$377,119.

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

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

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

There were 36 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$238,362.

## **11. CONSTRUCTION COMMITMENTS**

The College's construction commitments at June 30, 2010, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Project Description	Total Committed	Completed to Date	Balance Committed
Lakeland Campus Student Center	\$ 4,217,814	\$ 2,699,733	\$ 1,518,081
Chain of Lakes High School Building	301,849	40,141	261,708
Winter Haven Campus Greenhouse	8,400	5,836	2,564
<b>Total</b>	<b>\$ 4,528,063</b>	<b>\$ 2,745,710</b>	<b>\$ 1,782,353</b>

**12. 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 \$175 million through February 28, 2010, and up to \$150 million starting March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Team sport accident coverage, group long-term disability coverage, and bonding of the members of the Board of Trustees are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**13. SCHEDULE OF STATE REVENUE SOURCES**

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

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JUNE 30, 2010**

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 15,229,389
Gross Receipts Tax (Public Education Capital Outlay)	2,513,973
Education Enhancement Trust Fund (Lottery)	2,148,571
Bright Futures Scholarship Program	1,703,161
Restricted Contracts and Grants	967,526
Florida Student Assistance Grants	446,804
Motor Vehicle License Tax (Capital Outlay and Debt Service)	266,738
Other State Sources	68,566
<b>Total</b>	<b>\$ 23,344,728</b>

**14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 19,032,469
Public Services	125,705
Academic Support	6,759,180
Student Services	4,608,960
Institutional Support	7,589,949
Operation and Maintenance of Plant	10,077,757
Scholarships and Fellowships	9,979,632
Depreciation	3,094,244
Auxiliary Enterprises	214,776
<b>Total Operating Expenses</b>	<b>\$ 61,482,672</b>

**15. CURRENT UNRESTRICTED FUNDS**

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in

**POLK STATE COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

**Statement of Current Unrestricted Funds Net Assets**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 6,127,841
Accounts Receivable, Net	889,160
Due from Other Governmental Agencies	536,667

<b>TOTAL ASSETS</b>	<b>\$ 7,553,668</b>
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**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 214,475
Salary and Payroll Taxes Payable	1,931,009
Due to Other Governmental Agencies	224,731
Deferred Revenue	260,654
Compensated Absences Payable	12,858

<b>Total Current Liabilities</b>	<b>2,643,727</b>
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Noncurrent Liabilities:

Compensated Absences Payable	2,115,989
Other Postemployment Benefits Payable	93,463

<b>TOTAL LIABILITIES</b>	<b>4,853,179</b>
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<b>TOTAL NET ASSETS</b>	<b>2,700,489</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,553,668</b>
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**POLK STATE COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$6,878,448	\$ 7,952,523
State and Local Grants and Contracts	458,500
Nongovernmental Grants and Contracts	873,139
Sales and Services of Educational Departments	66,155
Auxiliary Enterprises	454,746
Other Operating Revenues	287,663

<b>Total Operating Revenues</b>	<u>10,092,726</u>
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**EXPENSES**

## Operating Expenses:

Personnel Services	25,455,850
Utilities and Communications	2,237,980
Contractual Services	4,093,435
Other Services and Expenses	2,524,947
Materials and Supplies	1,894,781

<b>Total Operating Expenses</b>	<u>36,206,993</u>
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<b>Operating Loss</b>	<u>(26,114,267)</u>
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**NONOPERATING REVENUES**

State Appropriations	17,377,860
Gifts and Grants	1,535,568
Investment Income	50,181
Other Nonoperating Revenues	8,729

<b>Net Nonoperating Revenues</b>	<u>18,972,338</u>
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**Loss Before Other Revenues,**

<b>Expenses, Gains, or Losses</b>	(7,141,929)
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Transfers from Other Funds	6,774,445
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<b>Decrease in Net Assets</b>	(367,484)
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Net Assets, Beginning of Year	3,067,973
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<b>Net Assets, End of Year</b>	<u>\$ 2,700,489</u>
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**POLK STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 635,282	\$ 635,282	0%	\$ 14,556,248	4.4%
7/1/2009	\$	\$ 733,413	\$ 733,413	0%	\$ 15,746,831	4.7%

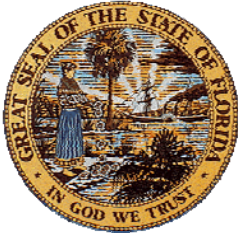
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate acutarial accrued liability.

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**POLK STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The July 1, 2009, actuarial accrued liability of \$733,413 was \$98,131 higher than the July 1, 2007, liability of \$635,282. This was a result of increases due to the expected growth of liabilities over time, demographic changes, updated participation and medical trend assumptions, updated claims costs, changes in the required contributions, and revised mortality assumption.



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

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

We have audited the financial statements of Polk State 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, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to College management in our operational audit report No. 2011-012.

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

Respectfully submitted,



David W. Martin, CPA  
March 7, 2011