

# PALM BEACH STATE COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2011



## BOARD OF TRUSTEES AND PRESIDENT

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

William Berger, Chair from 8-11-10,  
Vice Chair to 8-10-10 (1)  
David H. Talley, Vice Chair from 8-11-10  
Wendy S. Link, Chair to 8-10-10 (1)  
Kenneth B. Kirby (2)  
Carolyn L. Williams

Dr. Dennis P. Gallon, President

Notes: (1) Board member served beyond  
the end of term, May 31, 2011.  
(2) Board member served beyond  
the end of term, May 31, 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 Ilene R. Gayle, CPA, and the audit was supervised 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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

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

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Palm Beach State College and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Respectfully submitted,



David W. Martin, CPA  
November 21, 2011

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

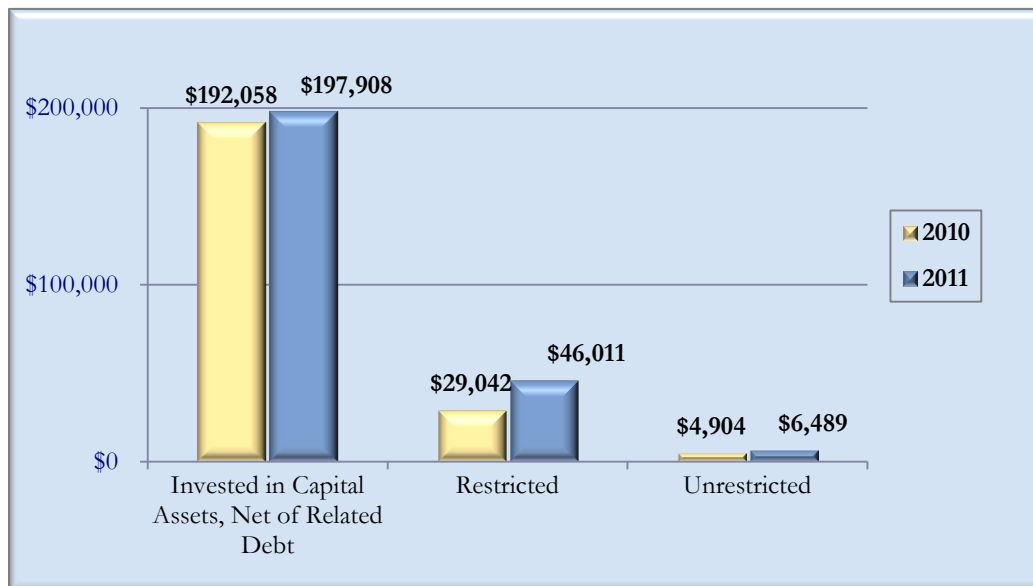
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting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

**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$275.5 million at June 30, 2011. This balance reflects a \$23.7 million, or 9.4 percent, increase from the 2009-10 fiscal year, resulting from increased student enrollment and capital projects completed. While assets grew, liabilities decreased \$0.7 million, or 2.6 percent, totaling \$25.1 million at June 30, 2011, compared to \$25.8 million at June 30, 2010. As a result, the College’s net assets increased by \$24.4 million, reaching a year-end balance of \$250.4 million.

The College’s comparative total net assets by category for the fiscal years ended June 30, 2011 and June 30, 2010, are shown in the following graph:

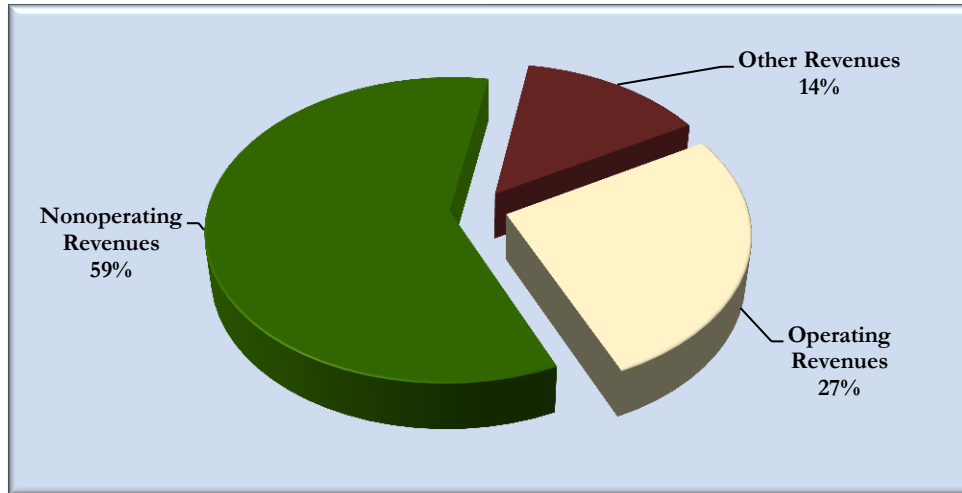
**Net Assets: College  
(In Thousands)**



The College’s operating revenues totaled \$50.2 million for the 2010-11 fiscal year, representing a 6.8 percent increase over the 2009-10 fiscal year due mainly to increased tuition and fees as well as grants and contracts activity. Operating expenses totaled \$163.9 million for the 2010-11 fiscal year, representing an increase of 11.5 percent over the 2009-10 fiscal year due mainly to salaries, benefits, and scholarship activity.

The following chart presents College revenues by category for the fiscal year ended June 30, 2011:

**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 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:

- Palm Beach 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.
- Palm Beach 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 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 Palm Beach 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 Palm Beach State College’s operating results.

These two statements report Palm Beach 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 fiscal years ended is shown in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
<b>Assets</b>				
Current Assets	\$ 41,287	\$ 27,397	\$ 8,673	\$ 8,763
Capital Assets, Net	209,583	204,318	11	11
Other Noncurrent Assets	24,647	20,060	16,405	14,865
<b>Total Assets</b>	<u>275,517</u>	<u>251,775</u>	<u>25,089</u>	<u>23,639</u>
<b>Liabilities</b>				
Current Liabilities	4,294	4,567	573	357
Noncurrent Liabilities	20,815	21,204		
<b>Total Liabilities</b>	<u>25,109</u>	<u>25,771</u>	<u>573</u>	<u>357</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	197,908	192,058	11	11
Restricted	46,011	29,042	25,283	24,408
Unrestricted	6,489	4,904	(778)	(1,137)
<b>Total Net Assets</b>	<u>\$ 250,408</u>	<u>\$ 226,004</u>	<u>\$ 24,516</u>	<u>\$ 23,282</u>
<b>Increase in Net Assets</b>	<u>\$ 24,404</u>	10.8%	<u>\$ 1,234</u>	5.3%

The College's net assets increased \$24.4 million, or 10.8 percent, primarily due to an increase in State capital appropriations of \$16.5 million for capital asset activity, a reduction in total liabilities of approximately \$0.7 million, and an increase of State noncapital appropriations of \$3.6 million.

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

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

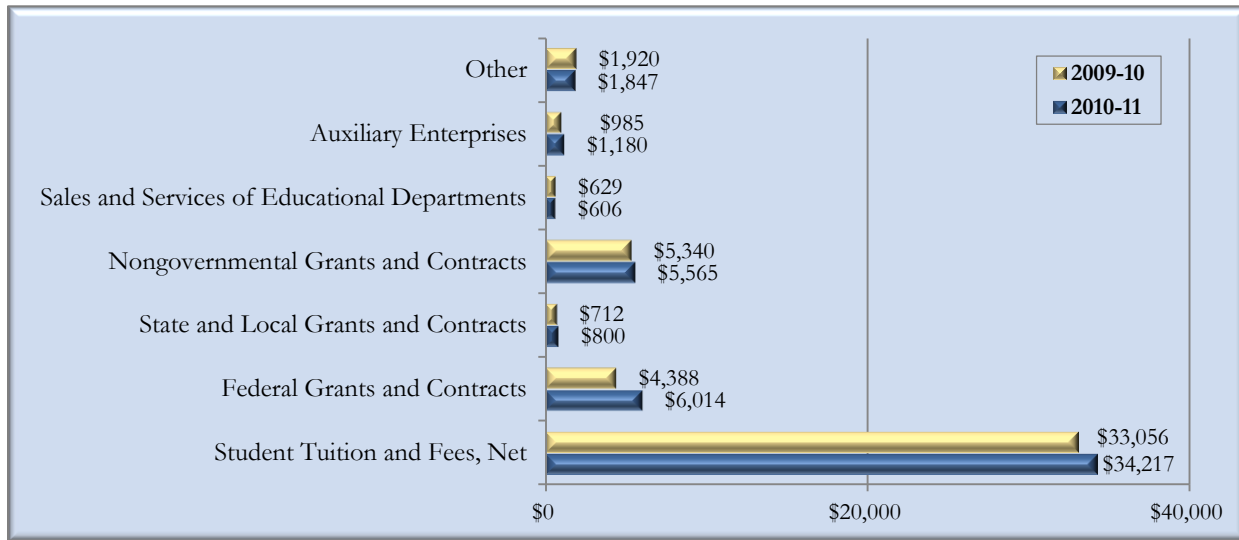
	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 34,217	\$ 33,056	\$	\$
Federal Grants and Contracts	6,014	4,388		
State and Local Grants and Contracts	800	712		114
Nongovernmental Grants and Contracts	5,565	5,340	5,123	4,737
Sales and Services of Educational Departments	606	629		
Auxiliary Enterprises	1,180	985		
Other Operating Revenues	1,847	1,920	103	96
<b>Total Operating Revenues</b>	<b>50,229</b>	<b>47,030</b>	<b>5,226</b>	<b>4,947</b>
Less, Operating Expenses	163,878	146,940	6,623	7,003
<b>Operating Loss</b>	<b>(113,649)</b>	<b>(99,910)</b>	<b>(1,397)</b>	<b>(2,056)</b>
<b>Nonoperating Revenues</b>				
State Noncapital Appropriations	51,302	47,715		
Other Nonoperating Revenues	60,918	48,478	2,050	3,389
Nonoperating Expenses	(541)	(621)		
<b>Net Nonoperating Revenues</b>	<b>111,679</b>	<b>95,572</b>	<b>2,050</b>	<b>3,389</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(1,970)	(4,338)	653	1,333
State Capital Appropriations	22,045	5,522		
Capital Grants, Contracts, Gifts, and Fees	4,329	4,209		
Additions to Permanent Endowments			581	840
<b>Increase in Net Assets</b>	<b>24,404</b>	<b>5,393</b>	<b>1,234</b>	<b>2,173</b>
<b>Net Assets, Beginning of Year</b>	<b>226,004</b>	<b>220,611</b>	<b>23,282</b>	<b>21,109</b>
<b>Net Assets, End of Year</b>	<b>\$ 250,408</b>	<b>\$ 226,004</b>	<b>\$ 24,516</b>	<b>\$ 23,282</b>

### Operating Revenues

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

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

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



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

- An increase of \$1.2 million in net student tuition and fees, primarily from an increase in enrollment of 7 percent annualized and an 8 percent tuition increase.
- An increase of \$1.6 million in Federal grants and contracts, or 37.1 percent.
- An increase of \$0.2 million in nongovernmental grants and contracts, or 4.2 percent.
- An increase of \$0.2 million in auxiliary sales, or 19.8 percent.
- A slight decrease of \$0.1 million, or 3.8 percent, in miscellaneous other operating revenues.

**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.

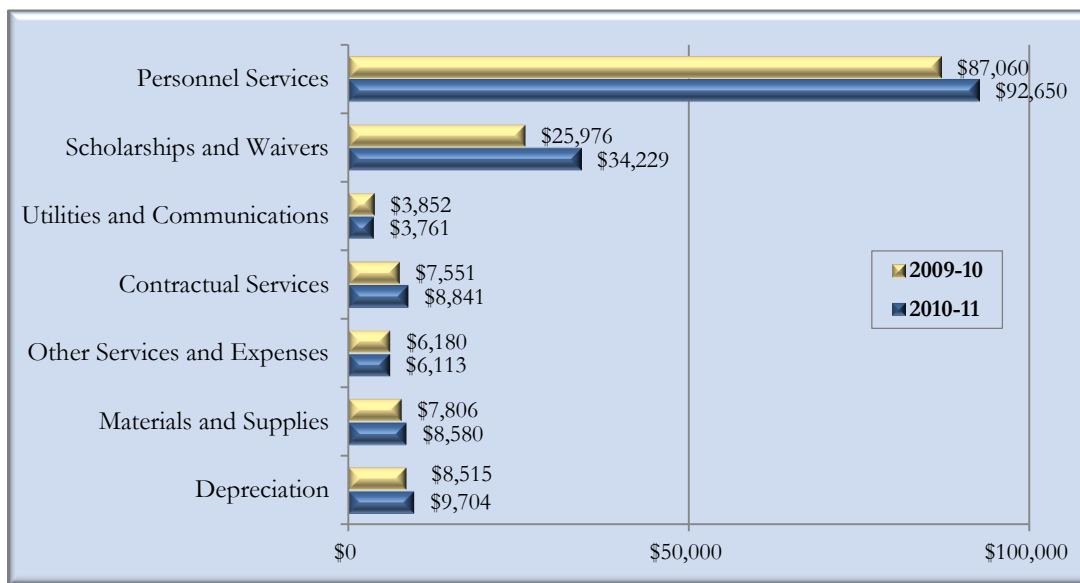
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

**Operating Expenses  
(In Thousands)**

	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
<b>Operating Expenses</b>				
Personnel Services	\$ 92,650	\$ 87,060	\$	\$
Scholarships and Waivers	34,229	25,976	1,733	1,916
Utilities and Communications	3,761	3,852		
Contractual Services	8,841	7,551		
Other Services and Expenses	6,113	6,180	4,890	5,087
Materials and Supplies	8,580	7,806		
Depreciation	9,704	8,515		
<b>Total Operating Expenses</b>	<b>\$ 163,878</b>	<b>\$ 146,940</b>	<b>\$ 6,623</b>	<b>\$ 7,003</b>

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

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



College operating expense changes increased by \$16.9 million, or 11.5 percent, as a result of the following factors:

- Personnel services increased by \$5.6 million, or 6.4 percent, primarily due to increased enrollment resulting in increased instructional staff and corresponding employee benefits.
- Scholarship expenses increased by \$8.3 million, or 31.8 percent, primarily due to increased financial aid enrollment activities.
- Contractual services increased by \$1.3 million, or 17.1 percent, which included instructional and custodial outsourcing operations.
- Depreciation increased by \$1.2 million, or 14 percent, attributable to the age of, and addition to, depreciable assets.

### 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 2010-11 and 2009-10 fiscal years:

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

	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 51,302	\$ 47,715
Gifts and Grants	60,119	46,816
Investment Income	799	1,662
Loss on Disposal of Capital Assets		(57)
Interest on Capital Asset-Related Debt	<u>(541)</u>	<u>(564)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 111,679</u></b>	<b><u>\$ 95,572</u></b>

Net nonoperating revenues increased by \$16.1 million, or 16.9 percent, primarily due to an increase in Pell grants and State noncapital appropriations which was offset by a decrease in investment income.

### Other Revenues, Expenses, Gains, or Losses

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

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

	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$ 22,045	\$ 5,522
Capital Grants, Contracts, Gifts, and Fees	<u>4,329</u>	<u>4,209</u>
<b>Total</b>	<b><u>\$ 26,374</u></b>	<b><u>\$ 9,731</u></b>

State capital appropriations increased significantly by \$16.5 million primarily due to planned and approved College capital additions projects.

### THE STATEMENT OF CASH FLOWS

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

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

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

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

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (104,255)	\$ (91,678)
Noncapital Financing Activities	111,698	93,779
Capital and Related Financing Activities	(1,598)	(3,065)
Investing Activities	651	1,522
<b>Net Increase in Cash and Cash Equivalents</b>	6,496	558
Cash and Cash Equivalents, Beginning of Year	33,853	33,295
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 40,349</b>	<b>\$ 33,853</b>

Major sources of funds came from State noncapital appropriations (\$51.3 million), net student tuition and fees (\$34.3 million), and nonoperating gifts and grants (\$60.4 million). Major uses of funds were for payments to employees (\$92.4 million), payments for scholarships (\$34.2 million), and to providers of goods and services, including capital uses (\$38.6 million).

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

- Cash used by operating activities increased by \$12.6 million primarily due to increases in financial aid scholarship funds.
- Cash provided by noncapital financing activities increased by \$17.9 million due to increases in State noncapital appropriations and gifts and grants funding.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### CAPITAL ASSETS

At June 30, 2011, the College had \$316 million in capital assets, less accumulated depreciation of \$106.4 million, for net capital assets of \$209.6 million. Depreciation charges for the current fiscal year totaled \$9.7 million. The following table summarizes the College's capital assets at June 30:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 5,021	\$	\$	\$ 5,021
Buildings	243,633	16,042		259,675
Other Structures and Improvements	26,150	2,510		28,660
Furniture, Machinery, and Equipment	15,707	1,850	537	17,020
Construction in Progress	11,005	9,119	14,552	5,572
<b>Total</b>	<b>301,516</b>	<b>29,521</b>	<b>15,089</b>	<b>315,948</b>
Less, Accumulated Depreciation:				
Buildings	64,761	6,167		70,928
Other Structures and Improvements	19,637	1,834		21,471
Furniture, Machinery, and Equipment	12,800	1,703	537	13,966
<b>Total Accumulated Depreciation</b>	<b>97,198</b>	<b>9,704</b>	<b>537</b>	<b>106,365</b>
<b>Capital Assets, Net</b>	<b>\$ 204,318</b>	<b>\$ 19,817</b>	<b>\$ 14,552</b>	<b>\$ 209,583</b>

Major capital additions completed during the 2010-11 fiscal year and the resources that funded their acquisition included:

**Major Capital Additions  
(In Thousands)**

	Amount
Central Campus:	
Fire Tower and Props (PECO)	\$ 2,324
R/R College Wide Services Building #205 (PECO)	1,189
Parking Lots (PECO)	751
Security Initiative (Transfer Funds)	101
Student Commons (Transfer Fund, PECO, Parking Decal Fees)	192
Sewer Lining Project (PECO)	153
Streets & Walkways (PECO)	150
North Campus:	
Burt Reynolds Building #106 (PECO)	466
Parking Lots (PECO)	265
Streets & Walkways (PECO, Parking Decal Fees)	346
Glades Campus:	
Technical Education Center #105 (Capital Improvement Bond, Student Capital Improvement Fees, Private Donations)	11,384
<b>Total Major Capital Additions Completed</b>	<b>\$ 17,321</b>

Note: R/R = Renovation and Remodeling  
PECO = Public Education Capital Outlay

Capital expenditures totaling \$34.3 million for significant projects are planned for the 2011-12 fiscal year. Projects planned include: Lake Worth “Central” Campus: (1) Public Safety Training Center Classroom Building – \$17.4 million; (2) Central Energy Plant #3 – \$4.6 million; (3) Security Safety Building – \$1.2 million; (4) Fire Tower and Props – \$0.8 million (5) new BAS Building – \$8.2 million; (6) Student Commons Landscape Project – \$0.6 million; (7) District Facilities Office Addition – \$0.3 million, and District Expenditures – All campuses as needed: (1) District Re-roofing – \$0.3 million; (2) HVAC Air Handler Replacements – \$0.4 million; (3) General Renovations –

\$0.5 million. Additional information about the College’s capital assets is presented in the notes to the financial statements.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$11.7 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2011, and June 30, 2010:

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

	2011	2010
SBE Capital Outlay Bonds	\$ 3,580	\$ 3,835
Capital Improvement Revenue Bonds	8,095	8,425
<b>Total</b>	<b>\$ 11,675</b>	<b>\$ 12,260</b>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, there were no bond sales and debt repayments totaled \$585 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**

Palm Beach State College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a slight decrease in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2011 term. The College has also monitored budgeted expenditures closely and has maintained a committee to continue to analyze potential further cuts. Despite the lack of increases in State funding, the College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in enrollment and growth in grant activities will enable it to maintain its consistent mission-critical services over the coming 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 the Vice President for Administration and Business Services, Palm Beach State College, 4200 Congress Avenue, Lake Worth, Florida 33461.

## BASIC FINANCIAL STATEMENTS

### PALM BEACH STATE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2011

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 16,511,344	\$ 3,088,783
Restricted Cash and Cash Equivalents	398,621	
Restricted Investments		4,273,591
Accounts Receivable, Net	2,384,992	1,308,203
Due from Other Governmental Agencies	20,786,431	
Due from Component Unit	35,713	
Inventories	16,638	
Prepaid Expenses	1,152,965	
Other Assets		2,479
<b>Total Current Assets</b>	<b>41,286,704</b>	<b>8,673,056</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	23,439,401	
Investments	1,103,049	
Restricted Investments	104,897	15,134,085
Depreciable Capital Assets, Net	198,989,494	
Nondepreciable Capital Assets	10,593,575	11,000
Other Assets		1,270,972
<b>Total Noncurrent Assets</b>	<b>234,230,416</b>	<b>16,416,057</b>
<b>TOTAL ASSETS</b>	<b>\$ 275,517,120</b>	<b>\$ 25,089,113</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 553,088	\$ 572,829
Salary and Payroll Taxes Payable	1,543,162	
Retainage Payable	242,899	
Deposits Held for Others	869,387	
Long-Term Liabilities - Current Portion:		
Bonds Payable	605,000	
Compensated Absences Payable	480,486	
<b>Total Current Liabilities</b>	<b>4,294,022</b>	<b>572,829</b>
Noncurrent Liabilities:		
Bonds Payable	11,070,000	
Compensated Absences Payable	9,010,839	
Other Postemployment Benefits Payable	126,902	
Other Noncurrent Liabilities	607,169	
<b>Total Noncurrent Liabilities</b>	<b>20,814,910</b>	
<b>TOTAL LIABILITIES</b>	<b>25,108,932</b>	<b>572,829</b>

**PALM BEACH STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2011**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 197,908,070	\$ 11,000
Restricted:		
Nonexpendable:		
Endowment		14,778,677
Expendable:		
Grants and Loans	2,154,535	
Scholarships	1,257,760	10,504,490
Capital Projects	42,506,322	
Debt Service	92,645	
Unrestricted	<u>6,488,856</u>	<u>(777,883)</u>
<b>Total Net Assets</b>	<u>250,408,188</u>	<u>24,516,284</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 275,517,120</u>	<u>\$ 25,089,113</u>

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

**PALM BEACH 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, 2011**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$26,672,616	\$ 34,216,934	\$
Federal Grants and Contracts	6,013,916	
State and Local Grants and Contracts	799,867	
Nongovernmental Grants and Contracts	5,565,054	5,123,127
Sales and Services of Educational Departments	606,172	
Auxiliary Enterprises	1,179,785	
Other Operating Revenues	1,847,644	102,821
<b>Total Operating Revenues</b>	<u>50,229,372</u>	<u>5,225,948</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	92,650,025	
Scholarships and Waivers	34,228,956	1,732,572
Utilities and Communications	3,761,147	
Contractual Services	8,840,564	
Other Services and Expenses	6,112,739	4,890,131
Materials and Supplies	8,579,777	
Depreciation	9,704,431	
<b>Total Operating Expenses</b>	<u>163,877,639</u>	<u>6,622,703</u>
<b>Operating Loss</b>	<u>(113,648,267)</u>	<u>(1,396,755)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	51,302,254	
Gifts and Grants	60,118,837	
Investment Income	799,107	2,049,941
Interest on Capital Asset-Related Debt	(540,883)	
<b>Net Nonoperating Revenues</b>	<u>111,679,315</u>	<u>2,049,941</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(1,968,952)</u>	<u>653,186</u>
State Capital Appropriations	22,044,428	
Capital Grants, Contracts, Gifts, and Fees	4,328,703	
Additions to Permanent Endowments		580,978
<b>Total Other Revenues</b>	<u>26,373,131</u>	<u>580,978</u>
<b>Increase in Net Assets</b>	24,404,179	1,234,164
<b>Net Assets, Beginning of Year</b>	<u>226,004,009</u>	<u>23,282,120</u>
<b>Net Assets, End of Year</b>	<u>\$ 250,408,188</u>	<u>\$ 24,516,284</u>

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 34,336,999
Grants and Contracts	11,870,941
Payments to Suppliers	(23,616,899)
Payments for Utilities and Communications	(3,761,147)
Payments to Employees	(75,879,985)
Payments for Employee Benefits	(16,547,940)
Payments for Scholarships	(34,228,956)
Auxiliary Enterprises	1,179,785
Sales and Service of Educational Departments	606,172
Other Receipts	1,786,322
	<b>(104,254,708)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	51,302,254
Gifts and Grants Received for Other Than Capital or Endowment Purposes	60,395,554
	<b>111,697,808</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	10,203,609
Capital Grants and Gifts	4,293,703
Purchases of Capital Assets	(14,969,571)
Principal Paid on Capital Debt and Leases	(585,000)
Interest Paid on Capital Debt and Leases	(540,883)
	<b>(1,598,142)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from the Sales and Maturities of Investments	45,643
Purchase of Investments	(193,412)
Investment Income	799,107
	<b>651,338</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>6,496,296</b>
Cash and Cash Equivalents, Beginning of Year	33,853,070
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 40,349,366</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (113,648,267)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	9,704,431
Changes in Assets and Liabilities:	
Receivables, Net	(368,346)
Inventories	(8,013)
Prepaid Expenses	(158,861)
Accounts Payable	243,393
Deposits Held for Others	(61,496)
Compensated Absences Payable	58,002
Other Postemployment Benefits Payable	(15,551)
	<u>\$ (104,254,708)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (104,254,708)</u></b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Palm Beach 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 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 Palm Beach 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 or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Palm Beach 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 fiscal year ended December 31, 2010.

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

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

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

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

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 determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid source. To the extent that those resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenue.

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 Board of Administration (SBA) Florida PRIME investment pool and the Special Purpose Investment Account (SPIA) investments with the State Treasury. 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 State Treasury 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, 2011, the College reported as cash equivalents at fair value \$26,224,560 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 Af by Standard & Poor's and had an effective duration of 2.13 years at June 30, 2011. 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, 2011, the College reported as cash equivalents at fair value \$4,290,162 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to

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

maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

**Noncurrent Liabilities.** Noncurrent liabilities include bonds payable, compensated absences payable, other postemployment benefits payable, and other payables 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; 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

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

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

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

Investment Type	Amount
State Board of Administration Fund B	
Surplus Funds Trust Fund	\$ 495,879
State Board of Administration Debt Service	
Accounts	92,645
Equity Securities	12,252
Money Market Funds	607,170
<b>Total College Investments</b>	<b>\$ 1,207,946</b>

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

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

At June 30, 2011, the College reported investments at fair value of \$495,879 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$92,645 at June 30, 2011, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Component Unit Investments**

Investments held by the College's component unit at December 31, 2010, were reported at fair market value with the following maturities:

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

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less Than 1	1-5	6-10	11-15	More Than 15
<b>Investment in Debt Obligations:</b>						
U.S. Government Securities	\$ 1,928,890	\$ 478,832	\$ 856,294	\$ 341,629	\$	\$ 252,135
Mortgage Backed Pass-Throughs	1,604,003	103,868	274,839	109,793	182,047	933,456
Corporate Bonds	1,369,798	36,477	447,289	365,329	17,239	503,464
<b>Total Investment in Debt Obligations</b>	<b>4,902,691</b>	<b>\$ 619,177</b>	<b>\$ 1,578,422</b>	<b>\$ 816,751</b>	<b>\$ 199,286</b>	<b>\$ 1,689,055</b>
<b>Other Investments:</b>						
Mutual Funds	3,203,376					
Equity Securities	11,301,609					
<b>Total Other Investments</b>	<b>14,504,985</b>					
<b>Total Component Unit Investments</b>	<b>\$ 19,407,676</b>					

The Foundation has developed an investment objective of growth and income over the long term. Per the Foundation investment policy, the spending policy of the Foundation is to make available on an annual basis an amount equal to approximately five percent of the market value of the Foundation's assets as of the beginning of each fiscal year, plus approximately one percent to account for administrative expenses. These distributions may be from any combination of income, earnings, or principal value of contributions that are not donor or Board restricted. The following risks apply to the Foundation's investments:

*Interest Rate Risk:* The Foundation's policy for managing its exposure for changes in interest rates is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market. As of December 31, 2010, the Foundation had investments in U.S. Government securities, mortgage backed pass-throughs, and corporate bonds and is therefore subject to interest rate risk.

*Credit Risk:* The Foundation's policy for managing its exposure to credit risk is through maintaining its investments in securities rated "BBB" or higher. As of December 31, 2010, the credit quality of the Foundation's fixed income accounts was investment grade "B" or higher. The policy also recommends a target asset allocation strategy of 60 percent equities (minimum 50 percent and maximum 70 percent limits) and 40 percent fixed income and cash equivalents (minimum 30 percent and maximum 50 percent limits). Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Mortgage-backed pass-throughs were not rated. Corporate bonds held by the Foundation at December 31, 2010, were rated as follows:

Investment Type	Fair Value	Credit Quality Ratings	
		Moody's	Standard & Poor's
Corporate Bonds	\$ 539,315 830,483	AA1 to BAA1 BAA1 to B1	AA to A BBB to B
<b>Total Corporate Bonds</b>	<b>\$ 1,369,798</b>		

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

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the Foundation and are not registered in the Foundation's name. The Foundation's investment policy does not address custodial credit risk.

*Concentration of Credit Risk:* The Foundation's investment policy requires that invested assets be broadly diversified by asset class, investment style, number of issues, issue type, and other factors consistent with the investment objectives to reduce the risk of wide swings in market value from year-to-year or incurring large losses that may result from concentrated positions. Subject to the usual standards of fiduciary prudence, and to minimize the risk of large losses, each investment manager is to maintain adequate diversification in their portfolio.

**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, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$240,172 allowance for doubtful accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$19,031,921 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**5. DUE FROM COMPONENT UNIT**

The \$35,713 reported as due from component unit consists of amounts owed to the College by the Foundation for a capital gift. The College's financial statements are reported for the fiscal year ended June 30, 2011. The Foundation's financial statements are reported as of the most recent fiscal year ended December 31, 2010, for which an audit report is available. Accordingly, although the College reported an amount as due from the component unit on the statement of net assets, no amount is reported by the component unit as due to the College.

**6. INVENTORIES**

Inventories consist of centrally stored items for teaching materials and office supplies, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable 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.

**7. CAPITAL ASSETS**

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 5,021,375	\$	\$	\$ 5,021,375
Construction in Progress	11,004,894	9,119,582	14,552,276	5,572,200
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 16,026,269</b>	<b>\$ 9,119,582</b>	<b>\$ 14,552,276</b>	<b>\$ 10,593,575</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 243,633,247	\$ 16,041,772	\$	\$ 259,675,019
Other Structures and Improvements	26,150,635	2,510,255		28,660,890
Furniture, Machinery, and Equipment	15,706,699	1,850,238	537,448	17,019,489
<b>Total Depreciable Capital Assets</b>	<b>285,490,581</b>	<b>20,402,265</b>	<b>537,448</b>	<b>305,355,398</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	64,761,227	6,167,282		70,928,509
Other Structures and Improvements	19,637,500	1,834,430		21,471,930
Furniture, Machinery, and Equipment	12,800,194	1,702,719	537,448	13,965,465
<b>Total Accumulated Depreciation</b>	<b>97,198,921</b>	<b>9,704,431</b>	<b>537,448</b>	<b>106,365,904</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 188,291,660</b>	<b>\$ 10,697,834</b>	<b>\$</b>	<b>\$ 198,989,494</b>

## 8. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 12,260,000	\$	\$ 585,000	\$ 11,675,000	\$ 605,000
Compensated Absences Payable	9,433,323	810,066	752,064	9,491,325	480,486
Other Postemployment Benefits Payable	142,453	39,624	55,175	126,902	
Other Noncurrent Liabilities	417,004	190,165		607,169	
<b>Total Long-Term Liabilities</b>	<b>\$ 22,252,780</b>	<b>\$ 1,039,855</b>	<b>\$ 1,392,239</b>	<b>\$ 21,900,396</b>	<b>\$ 1,085,486</b>

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

- State Board of Education (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 State Board of Administration 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 issued by the Florida Department of Education, Division of Bond Finance on behalf of the College and authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and

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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 participating colleges on a parity with outstanding 2006A and 2008A Bonds and any additional bonds issued subsequent to the issuance of the 2008A bonds. The 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. These bonds will share the lien of such additional bonds on the Series 2006A and 2008A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. These bonds were issued for the construction of a technical education center at the Belle Glade Campus.

The College had the following bonds payable at June 30, 2011:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2005A	\$ 1,770,000	4.0 - 5.0	2025
Series 2005B	1,810,000	5.0	2020
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2008A	<u>8,095,000</u>	3.4 - 5.0	2028
<b>Total</b>	<b><u>\$ 11,675,000</u></b>		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2012	\$ 265,000	\$ 168,300	\$ 433,300
2013	275,000	155,050	430,050
2014	295,000	141,300	436,300
2015	305,000	126,550	431,550
2016	325,000	108,551	433,551
2017-2021	1,495,000	315,199	1,810,199
2022-2026	<u>620,000</u>	<u>65,819</u>	<u>685,819</u>
<b>Total</b>	<b><u>\$ 3,580,000</u></b>	<b><u>\$ 1,080,769</u></b>	<b><u>\$ 4,660,769</u></b>

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Fiscal Year Ending June 30	Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2012	\$ 340,000	\$ 349,014	\$ 689,014
2013	350,000	337,114	687,114
2014	365,000	323,989	688,989
2015	380,000	310,301	690,301
2016	390,000	297,381	687,381
2017-2021	2,225,000	1,217,056	3,442,056
2022-2026	2,755,000	691,788	3,446,788
2027-2028	1,290,000	91,837	1,381,837
<b>Total</b>	<b>\$ 8,095,000</b>	<b>\$ 3,618,480</b>	<b>\$ 11,713,480</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, 2011, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$9,491,325. Of this amount, \$480,486 is considered a current liability as this is expected to be paid in the coming fiscal year. The College calculates the actual fiscal year payouts for all leave for the two fiscal years immediately preceding, including applicable College tax payments, and then averages the two years.

**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 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 for postemployment benefits. 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 benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary 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 employee retirement system or another entity.

*Funding Policy.* The Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit

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(OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 48 retirees received other postemployment benefits. The College provided required contributions of \$55,176 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 \$291,193.

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 29,893
Amortization of Unfunded Actuarial Accrued Liability	10,206
<b>Annual Required Contribution</b>	40,099
Interest on Net OPEB Obligation	4,274
Adjustment to Annual Required Contribution	(4,748)
<b>Annual OPEB Cost (Expense)</b>	39,625
Contribution Toward the OPEB Cost	(55,176)
<b>Decrease in Net OPEB Obligation</b>	(15,551)
Net OPEB Obligation, Beginning of Year	142,453
<b>Net OPEB Obligation, End of Year</b>	\$ 126,902

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 101,842	33.4%	\$ 136,607
2009-10	39,507	85.2%	142,453
2010-11	39,625	139.2%	126,902

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$297,267 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$297,267 and a funded ratio of 0 percent. The covered payroll (annual payroll of active

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participating employees) was \$58,954,837 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0.504 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 method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by 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, 2011, was 26 years.

## 9. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for

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military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

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

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

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$3,606,087, \$3,697,994, and \$4,286,542, 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 303 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$1,385,247.

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**JUNE 30, 2011**

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, 10.77 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 96 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$750,139.

## 10. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2011, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
<b>Central Campus:</b>			
Student Commons	\$ 580,000	\$ 222,722	\$ 357,278
New Classroom Building	703,851	455,267	248,584
New Classroom Building, Phase 1	872,954	376,142	496,812
Criminal Justice Classroom Building	1,343,100	855,971	487,129
Central Energy Plant	4,619,000	639,752	3,979,248
SKID Pad	1,129,901	684,806	445,095
Relocation of Softball Field	1,228,029	562,744	665,285
EMT Classroom/Wellness Center	503,486	295,950	207,536
<b>Total</b>	<b>\$ 10,980,321</b>	<b>\$ 4,093,354</b>	<b>\$ 6,886,967</b>

## 11. OPERATING LEASE COMMITMENTS

The College leased computer equipment under an operating lease, which expires in 2013. These leased assets do not meet the capitalization threshold and the related commitments are not reported on the

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JUNE 30, 2011**

College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are contingent upon future appropriations. Future minimum lease commitments for this noncancelable operating lease are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 531,409
2013	131,358
<b>Total Minimum Payments Required</b>	<b>\$ 662,767</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 \$150 million. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, health, life, and other liability 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.

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:

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<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 44,839,015
Gross Receipts Tax (Public Education Capital Outlay)	21,327,228
Education Enhancement Trust Fund (Lottery)	6,461,218
Bright Futures Scholarship Program	3,060,000
Florida Student Assistance Grants	2,836,802
Motor Vehicle License Tax (Capital Outlay and Debt Service)	717,200
Restricted Contracts and Grants	681,077
Other State Sources	<u>6,521</u>
<b>Total</b>	<b><u>\$ 79,929,061</u></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	\$ 58,196,770
Public Services	421,286
Academic Support	16,957,906
Student Services	17,922,665
Institutional Support	10,824,224
Operation and Maintenance of Plant	16,042,739
Scholarships and Fellowships	33,072,485
Depreciation	9,704,431
Auxiliary Enterprises	<u>735,133</u>
<b>Total Operating Expenses</b>	<b><u>\$ 163,877,639</u></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 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:

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JUNE 30, 2011**

**Statement of Current Unrestricted Funds Net Assets**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 14,962,888
Accounts Receivable, Net	1,015,721
Due from Other Governmental Agencies	864,875
Inventories	16,638
Prepaid Expenses	924,059

## Noncurrent Assets:

Investments	<u>1,103,049</u>
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**TOTAL ASSETS**

<b>\$ 18,887,230</b>
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**LIABILITIES**

## Current Liabilities:

Accounts Payable	\$ 346,204
Salary and Payroll Taxes Payable	1,543,162
Deposits Held for Others	283,612
Compensated Absences Payable	<u>480,486</u>

**Total Current Liabilities**

<u>2,653,464</u>
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## Noncurrent Liabilities:

Compensated Absences Payable	9,010,839
Other Postemployment Benefits Payable	126,902
Other Noncurrent Liabilities	<u>607,169</u>

**TOTAL LIABILITIES**

<u>12,398,374</u>
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**TOTAL NET ASSETS**

<u>6,488,856</u>
------------------

**TOTAL LIABILITIES AND NET ASSETS**

<u>\$ 18,887,230</u>
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**PALM BEACH STATE COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship		
Allowances of \$26,672,616	\$	28,511,324
Federal Grants and Contracts		359,265
State and Local Grants and Contracts		17,227
Nongovernmental Grants and Contracts		290,788
Sales and Services of Educational Departments		606,172
Auxiliary Enterprises		1,179,785
Other Operating Revenues		<u>1,376,091</u>
<b>Total Operating Revenues</b>		<u><u>32,340,652</u></u>

**EXPENSES**

## Operating Expenses:

Personnel Services		85,764,149
Scholarships and Waivers		71,525
Utilities and Communications		3,743,076
Contractual Services		7,397,436
Other Services and Expenses		4,386,317
Materials and Supplies		<u>6,969,586</u>
<b>Total Operating Expenses</b>		<u><u>108,332,089</u></u>
<b>Operating Loss</b>		<u><u>(75,991,437)</u></u>

**NONOPERATING REVENUES**

State Noncapital Appropriations		51,302,254
Gifts and Grants		30,873,422
Investment Income		<u>389,522</u>

**Net Nonoperating Revenues** 82,565,198

**Income Before Other Revenues,  
Expenses, Gains, or Losses** 6,573,761

State Capital Appropriations 10,758  
Transfers to/from Other Funds (5,000,000)

**Increase in Net Assets** 1,584,519  
Net Assets, Beginning of Year 4,904,337

**Net Assets, End of Year** \$ 6,488,856

**PALM BEACH STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFIT 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	\$	\$ 640,852	\$ 640,852	0%	\$ 50,661,686	1.30%
7/1/2009	\$	\$ 297,267	\$ 297,267	0%	\$ 54,890,980	0.54%

Notes: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liabilities.

**PALM BEACH STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The July 1, 2009, the actuarial accrued liability (AAL) of \$297,267 was significantly lower than the July 1, 2007, AAL of \$640,852. This reduction was primarily a result of updated assumptions (higher withdrawal and reduced percentage married and participation assumptions) resulting in the reduction of \$365,000. Updated claims costs and required retiree contributions also reduced the AAL by \$110,000. The reductions due to assumptions and claims costs were partially offset by an increase due to expected growth of liabilities and demographic changes of \$143,000 and an updated trend assumption that increased the AAL by \$15,000. The elimination of life insurance benefits to current and future retirees reduced the AAL further by \$27,000.



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

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

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

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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

Respectfully submitted,



David W. Martin, CPA  
November 21, 2011