

# BROWARD 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:

Sean C. Guerin, Chair  
Sean C. Alveshire, Vice Chair  
John A. Benz from 8-17-10 (1)  
Georgette Sosa Douglass to 7-26-10 (2)  
Paul C. Tanner to 4-26-11 (3)  
Elizabeth Tonkin from 5-31-11 (4)

J. David Armstrong, Jr., President

Notes: (1) Position vacant from July 1, 2010,  
to August 16, 2010.  
(2) Board member served beyond the  
end of term, May 31, 2010.  
(3) Position vacant from April 27, 2011.  
(4) Position vacant from July 27, 2010,  
to May 30, 2011.

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

The audit team leader was Enrique A. Alonso, 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.

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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 Broward College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. The results of our operational audit of the College are included in our report No. 2012-038.

### 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 Broward College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Broward 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 Broward College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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  
February 24, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2011, and its component unit, Broward College Foundation, Inc. (Foundation), for the fiscal year ended December 31, 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. The MD&A contains financial activities of the College for the fiscal years ended June 30, 2010, and June 30, 2011, and its component unit, Broward College Foundation, Inc., for the years ended December 31, 2009, and December 31, 2010.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$326.4 million at June 30, 2011. This balance reflects a \$19.6 million, or 6.4 percent, increase from the 2009-10 fiscal year. While assets grew, liabilities remained flat, totaling \$55.9 million at June 30, 2011, compared to \$56 million at June 30, 2010. As a result, the College's net assets increased by \$19.7 million, reaching a year-end balance of \$270.5 million.

The College's operating revenues totaled \$75.3 million for the 2010-11 fiscal year, representing a 0.4 percent decrease over the 2009-10 fiscal year. Operating expenses totaled \$256.8 million for the 2010-11 fiscal year, representing an increase of 10.8 percent over the 2009-10 fiscal year due mainly to an increase in scholarships and waivers expense resulting from increased student enrollment, increases in the overall percentage of students receiving financial aid, and the financial aid award amounts received.

### 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:

- Broward College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Broward College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

### THE STATEMENT OF NET 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 Broward 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 Broward College's operating results.

These two statements report Broward 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 as of June 30, 2011, and June 30, 2010, 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	\$ 101,817	\$ 114,254	\$ 750	\$ 2,173
Capital Assets, Net	161,433	162,783		
Other Noncurrent Assets	63,114	29,736	69,770	64,706
<b>Total Assets</b>	<b>326,364</b>	<b>306,773</b>	<b>70,520</b>	<b>66,879</b>
<b>Liabilities</b>				
Current Liabilities	21,210	21,198	402	683
Noncurrent Liabilities	34,643	34,804		
<b>Total Liabilities</b>	<b>55,853</b>	<b>56,002</b>	<b>402</b>	<b>683</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	142,196	141,237		
Restricted	92,491	66,041	62,637	60,015
Unrestricted	35,823	43,493	7,481	6,181
<b>Total Net Assets</b>	<b>270,510</b>	<b>\$250,771</b>	<b>\$70,118</b>	<b>\$66,196</b>
<b>Increase in Net Assets</b>	<b>\$ 19,739</b>	<b>7.9%</b>	<b>\$ 3,922</b>	<b>5.9%</b>

Total net assets of the College increased by \$19.7 million, or 7.9 percent. This increase is due to strong performance in its primary operations as represented by the increase in total assets of \$19.6 million to \$326.4 million while total liabilities essentially remained unchanged at \$55.9 million as compared to the prior fiscal year.

Changes in the College's net assets were the result of the following factors:

- Restricted net assets increased by \$26.5 million, or 40.1 percent, due mainly to a transfer of \$23 million from unrestricted funds for future planned capital projects.
- Unrestricted net assets decreased by \$7.7 million, or 17.6 percent, due to a transfer of \$23 million to restricted funds for future planned capital projects, which was offset by an increase of approximately \$15.3 million due to the College's primary mission.

- Total liabilities remained consistent, decreasing by \$0.1 million, or 0.3 percent. Increases in Other Postemployment Benefits and Compensated Absences of \$1.8 million, or 14 percent, were offset by a reduction of \$2.2 million, or 9.2 percent, in long term debt owed.

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	\$ 40,698	\$ 40,446	\$	\$
Federal Grants and Contracts	5,264	7,787		
State and Local Grants and Contracts	1,909	2,068		
Nongovernmental Grants and Contracts	8,523	8,301		
Sales and Services of Educational Departments		53		
Auxiliary Enterprises, Net of Scholarship Allowances	17,703	15,519		
Other Operating Revenues	1,252	1,485	2,648	2,549
<b>Total Operating Revenues</b>	<b>75,349</b>	<b>75,659</b>	<b>2,648</b>	<b>2,549</b>
Less, Operating Expenses	256,845	231,715	6,708	7,196
<b>Operating Loss</b>	<b>(181,496)</b>	<b>(156,056)</b>	<b>(4,060)</b>	<b>(4,647)</b>
<b>Nonoperating Revenues</b>				
State Noncapital Appropriations	72,608	67,524		
Interest on Capital Asset-Related Debt	(1,037)	(1,108)		
Other Nonoperating Revenues	110,599	85,565	7,982	11,295
<b>Net Nonoperating Revenues</b>	<b>182,170</b>	<b>151,981</b>	<b>7,982</b>	<b>11,295</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
State Capital Appropriations	674	(4,075)	3,922	6,648
Capital Grants, Contracts, Gifts, and Fees	12,706	9,059		
Additions to Permanent Endowments	6,342	5,540		
	17	3		
<b>Increase in Net Assets</b>	<b>19,739</b>	<b>10,527</b>	<b>3,922</b>	<b>6,648</b>
Net Assets, Beginning of Year	250,771	242,418	66,196	59,548
Adjustment to Beginning Net Assets (1)		(2,174)		
<b>Net Assets, Beginning of Year, as Restated</b>	<b>250,771</b>	<b>240,244</b>	<b>66,196</b>	<b>59,548</b>
<b>Net Assets, End of Year</b>	<b>\$ 270,510</b>	<b>\$ 250,771</b>	<b>\$ 70,118</b>	<b>\$ 66,196</b>

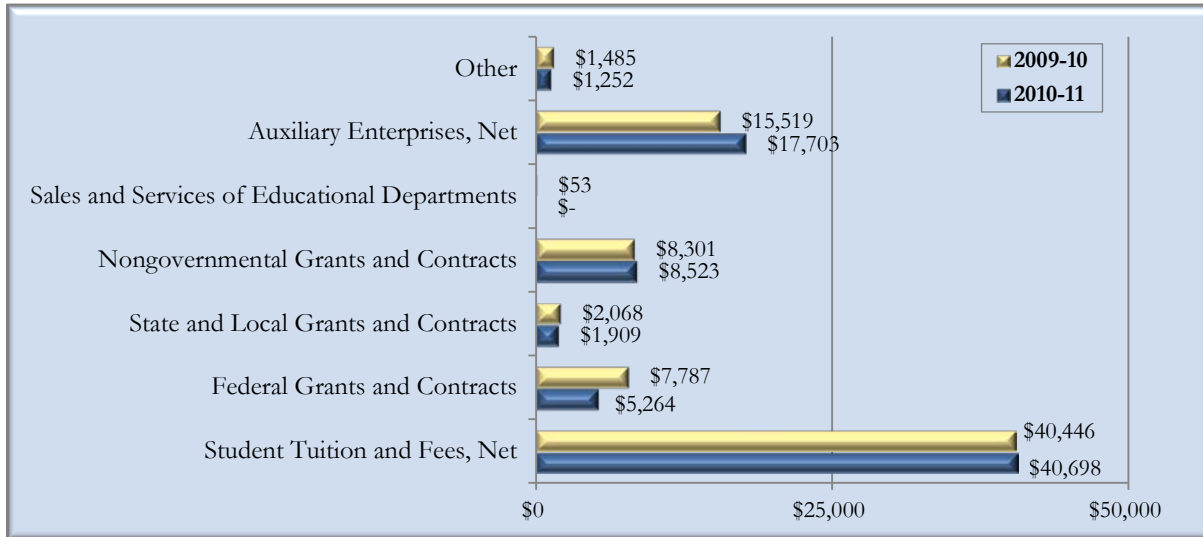
Note: (1) To decrease beginning net asset balance for prior years understatement of Estimated Insurance Claims Payable and related expenses.

### 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 decreased by \$.31 million, or 0.4 percent. Significant changes are highlighted below:

- Gross student tuition and fees increased \$11.4 million due to increased student enrollment growth of 7.8 percent and a tuition increase of 8 percent over the prior fiscal year. Gross student tuition and fees are offset by scholarship allowances which increased by \$11.2 million, resulting in a net tuition and fee increase of \$0.25 million. Scholarship allowance increased due to an increase in the total amount of financial aid awarded for the year.
- Federal grants and contracts decreased \$2.5 million, or 32.4 percent, due to reductions in various federal grants including Title V, Marine, and RENEW.
- Gross auxiliary enterprises increased by \$3.7 million, or 16.2 percent primarily due to increased student enrollment of 7.8 percent, which generated increased bookstore revenue. Gross auxiliary enterprises are offset by auxiliary scholarship allowances which increased by \$1.5 million, resulting in a net auxiliary enterprises increase of \$2.2 million. Scholarship allowance increased due to an increase in the total amount of financial aid awarded for the year.

**Operating Expenses**

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

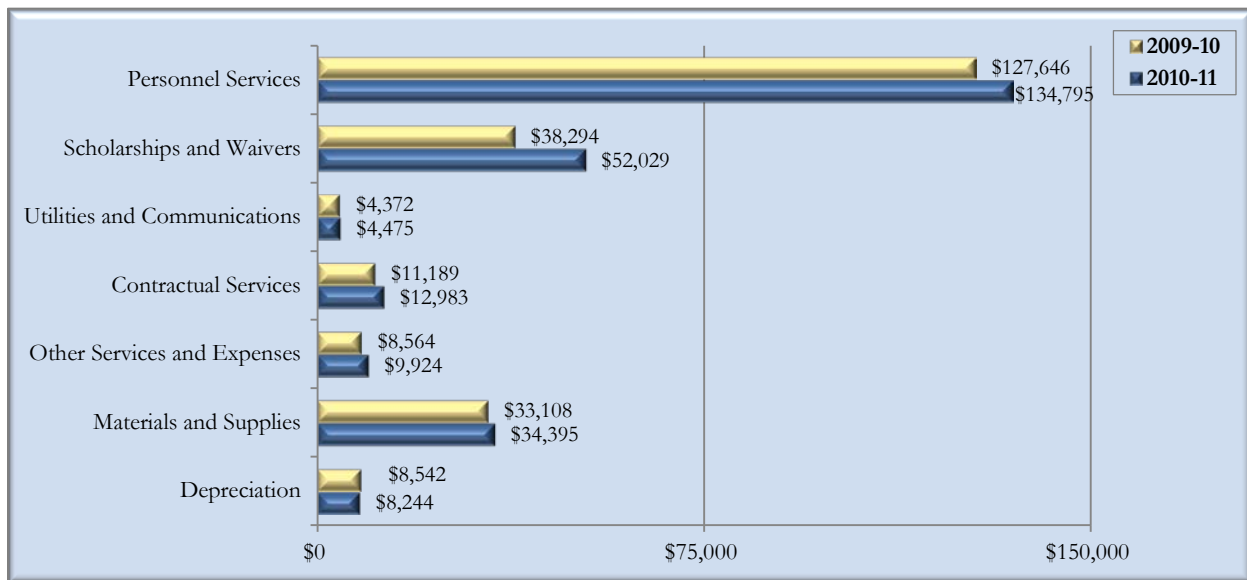
Operating expenses for the College and its component unit for the respective fiscal years ended are shown in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
<b>Operating Expenses</b>				
Personnel Services	\$ 134,795	\$ 127,646	\$	\$
Scholarships and Waivers	52,029	38,294		
Utilities and Communications	4,475	4,372		
Contractual Services	12,983	11,189		
Other Services and Expenses	9,924	8,564	6,708	7,196
Materials and Supplies	34,395	33,108		
Depreciation	8,244	8,542		
<b>Total Operating Expenses</b>	<b>\$ 256,845</b>	<b>\$ 231,715</b>	<b>\$ 6,708</b>	<b>\$ 7,196</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 expenses increased by \$25.1 million, or 10.8 percent, over the prior fiscal year due to the enrollment growth of the College. The College’s operating expense changes are highlighted below:

- Personnel services expenses increased by \$7.1 million, or 5.6 percent, due to a Board approved salary increase of 2.5 percent and the hiring of additional personnel to service the College’s enrollment growth.
- Scholarship and waivers expenses increased by \$13.7 million, or 35.9 percent. This was primarily due to a net increase in Pell grant awards of \$12.7 million.
- Contractual services expenses increased \$1.8 million, or 16 percent, due primarily to increased expenditures for security services and software consulting services.
- Other services and expenses increased by \$1.4 million, or 15.9 percent, due primarily to increased bad debt expense and increased software license fees.

- Materials and supplies expenses increased by \$1.3 million, or 3.9 percent, due primarily to increased bookstore purchases for resale.

**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)**

	2010-11	2009-10
State Noncapital Appropriations	\$ 72,608	\$ 67,524
Gifts and Grants	109,269	83,759
Investment Income	1,330	500
Net Gain (Loss) on Investments	(45)	1,196
Other Nonoperating Revenues	45	110
Interest on Capital Asset-Related Debt	(1,037)	(1,108)
<b>Net Nonoperating Revenues</b>	<b>\$ 182,170</b>	<b>\$ 151,981</b>

Nonoperating revenues increased by \$30.2 million, or 19.9 percent, over the prior fiscal year. Nonoperating revenue changes were the result of the following factors:

- Though State Noncapital Appropriations increased by \$5.1 million or 7.5 percent, primarily due to an increase in College Program Fund, overall funding was flat on a full time equivalent basis when factoring in the 7.8 percent enrollment growth the college realized.
- Gifts and grants increased by \$25.5 million to \$109.3 million, a 30.5 percent increase over the prior fiscal year. Pell Grant awards of \$88.7 million as compared to \$64.6 million from the prior fiscal year was a result of increases in student enrollment, amounts awarded and percentage of students college wide receiving financial aid.
- The College purchased approximately \$23.7 million in investments during fiscal year 2010-11. As a result, investment income increased \$0.8 million, or 166 percent, over the prior fiscal year, and a net loss on investments of \$0.05 million.

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

This category is mainly 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 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Capital Appropriations	\$ 12,706	\$ 9,059
Capital Grants, Contracts, Gifts, and Fees	6,342	5,540
Additions to Permanent Endowment	17	3
<b>Total</b>	<b>\$ 19,065</b>	<b>\$ 14,602</b>

Other revenues increased by \$4.5 million, or 30.6 percent, over the prior fiscal year. Significant changes are highlighted below:

- PECO revenues increased \$3.8 million, or 44 percent, as compared to the prior fiscal year due to the increase in general renovation and remodeling funds of \$2.1 million and project specific allocations of \$1.7 million.
- Capital grants, contracts, gifts and fees increased \$0.8 million, or 14.5 percent, over the prior fiscal year due to an increase in capital improvement fees which was the result of higher enrollment as well as increase in the fee rate.

**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 ended is presented in the following table:

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

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (172,756)	\$ (144,904)
Noncapital Financing Activities	181,519	150,968
Capital and Related Financing Activities	3,992	5,519
Investing Activities	(22,466)	15,384
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,711)	26,967
Cash and Cash Equivalents, Beginning of Year	76,611	49,644
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 66,900</b>	<b>\$ 76,611</b>

Major sources of funds came from State appropriations (\$72.6 million), net student tuition and fees (\$40.6 million), grants and contracts (\$132.3 million), receipt of direct student loan program funds (\$34.4 million) and net auxiliary receipts (\$17.7 million). Major uses of funds were for payments to employees (\$103 million), to providers of goods and services (\$60 million), and disbursement of direct student loan program funds (\$34.6 million).

The College’s overall cash and cash equivalents decreased by \$9.7 million, or 12.7 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$27.9 million more in cash as compared to the prior fiscal year. The increase was primarily the result of an increase in payments for scholarships totaling \$13.7 million along with an increase in payments for employees and employee benefits of \$7.7 million and an increase in payments to suppliers of \$7.1 million.
- Noncapital financing activities gained \$30.5 million more in cash as compared to the prior fiscal year. The increase was primarily due to \$24.1 million in additional Federal Pell grants. State noncapital appropriations increased \$5.1 million compared to the prior fiscal year.
- Cash flow from investing activities decreased \$37.9 million due primarily to the purchase of investments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2011, the College had \$303.7 million in capital assets, less accumulated depreciation of \$142.3 million for net capital assets of \$161.4 million. Depreciation charges for the current fiscal year totaled \$8.2 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2011</u>	<u>2010</u>
Land	\$ 3,692	\$ 3,692
Buildings	243,293	243,293
Other Structures and Improvements	14,499	14,499
Furniture, Machinery, and Equipment	19,879	19,209
Assets Under Capital Leases	12,976	12,976
Construction in Progress	9,419	4,123
<b>Total</b>	<u>303,758</u>	<u>297,792</u>
Less, Accumulated Depreciation:		
Buildings	98,986	92,996
Other Structures and Improvements	13,589	13,437
Furniture, Machinery, and Equipment	17,397	17,138
Assets Under Capital Leases	12,353	11,438
<b>Total Accumulated Depreciation</b>	<u>142,325</u>	<u>135,009</u>
<b>Capital Assets, Net</b>	<u>\$ 161,433</u>	<u>\$ 162,783</u>

The College has \$33.8 million in construction contract commitments at June 30, 2011, that includes the following:

- Central Campus – Institute of Public Safety Building 22 Remodel, Building 6 Classroom Renovation, Building 8 Renovation
- South Campus – Building 72 Renovation

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 \$22.2 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)**

	<u>2011</u>	<u>2010</u>
SBE Capital Outlay Bonds	\$ 3,690	\$ 4,090
Capital Improvement Revenue Bonds	17,275	17,975
Capital Leases Payable	1,207	2,347
<b>Total</b>	<u>\$ 22,172</u>	<u>\$ 24,412</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, there were no bond sales and debt repayments totaled \$2.2 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

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

Broward 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, only a decrease in State funding is anticipated in the 2011-12 fiscal year. In response to a decrease in State noncapital appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2011 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services. In addition, the College instituted a conservative budget for the 2011-12 fiscal year.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A (or other required supplementary information) and financial statements and notes thereto, or requests for additional financial information should be addressed to Jayson Iroff, CPA, Controller, Broward College, 225 East Las Olas Blvd., Fort Lauderdale, Florida 33301.

**BASIC FINANCIAL STATEMENTS**

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

	College	Component Unit
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 37,437,172	\$ 547,980
Restricted Cash and Cash Equivalents	3,000,634	
Accounts Receivable, Net	3,939,043	159,119
Notes Receivable, Net	287,094	
Due from Other Governmental Agencies	52,968,545	
Due from Component Unit	233,758	
Inventories	2,895,956	
Prepaid Expenses	172,834	42,996
Deposits-Other	881,819	
	<u>101,816,855</u>	<u>750,095</u>
<b>Total Current Assets</b>		
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	26,461,905	
Investments	22,826,179	69,769,681
Restricted Investments	13,815,504	
Depreciable Capital Assets, Net	148,322,063	
Nondepreciable Capital Assets	13,110,978	
Other Noncurrent Assets	10,350	
	<u>224,546,979</u>	<u>69,769,681</u>
<b>Total Noncurrent Assets</b>		
<b>TOTAL ASSETS</b>	<u>\$ 326,363,834</u>	<u>\$ 70,519,776</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,263,686	\$ 391,529
Salary and Payroll Taxes Payable	2,155,845	
Retainage Payable	863,952	
Due to Other Governmental Agencies	673,584	
Deferred Revenue	1,077,721	10,000
Estimated Insurance Payable	10,275,702	
Deposits Held for Others	2,292,990	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,145,000	
Capital Leases Payable	831,372	
Compensated Absences Payable	630,806	
	<u>21,210,658</u>	<u>401,529</u>
<b>Total Current Liabilities</b>		
Noncurrent Liabilities:		
Bonds Payable	19,820,000	
Capital Leases Payable	376,087	
Compensated Absences Payable	9,439,878	
Other Postemployment Benefits Payable	5,006,817	
	<u>34,642,782</u>	
<b>Total Noncurrent Liabilities</b>		
<b>TOTAL LIABILITIES</b>	<u>55,853,440</u>	<u>401,529</u>

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

	College	Component Unit
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 142,196,647	\$
Restricted:		
Nonexpendable:		
Endowment	1,031,388	35,255,955
Expendable:		
Grants and Loans	5,043,954	
Scholarships	824,660	27,380,849
Capital Projects	84,304,040	
Debt Service	1,286,959	
Unrestricted	35,822,746	7,481,443
<b>Total Net Assets</b>	270,510,394	70,118,247
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 326,363,834</b>	<b>\$ 70,519,776</b>

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

**BROWARD COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2011**

	College	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$49,896,361	\$ 40,697,867	\$
Federal Grants and Contracts	5,264,238	
State and Local Grants and Contracts	1,909,130	
Nongovernmental Grants and Contracts	8,522,523	
Sales and Services of Educational Departments	338	
Auxiliary Enterprises, Net of Scholarship Allowances of \$8,502,176.	17,703,153	
Other Operating Revenues	1,251,691	2,648,029
<b>Total Operating Revenues</b>	75,348,940	2,648,029
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	134,795,372	
Scholarships and Waivers	52,029,593	
Utilities and Communications	4,474,467	
Contractual Services	12,983,186	
Other Services and Expenses	9,923,636	6,707,694
Materials and Supplies	34,394,979	
Depreciation	8,244,484	
<b>Total Operating Expenses</b>	256,845,717	6,707,694
<b>Operating Loss</b>	(181,496,777)	(4,059,665)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	72,607,865	
Gifts and Grants	109,268,937	
Investment Income	1,330,439	1,570,165
Other Nonoperating Revenues	45,312	
Net Gain (Loss) on Investments	(44,912)	6,411,506
Interest on Capital Asset-Related Debt	(1,036,667)	
<b>Net Nonoperating Revenues</b>	182,170,974	7,981,671
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	674,197	3,922,006
State Capital Appropriations	12,706,425	
Capital Grants, Contracts, Gifts, and Fees	6,342,357	
Additions to Permanent Endowments	16,586	
<b>Total Other Revenues</b>	19,065,368	
<b>Increase in Net Assets</b>	19,739,565	3,922,006
<b>Net Assets, Beginning of Year</b>	250,770,829	66,196,241
<b>Net Assets, End of Year</b>	\$ 270,510,394	\$ 70,118,247

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

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

	College
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 40,578,182
Grants and Contracts	16,493,923
Payments to Suppliers	(59,961,076)
Payments for Utilities and Communications	(4,474,467)
Payments to Employees	(102,991,808)
Payments for Employee Benefits	(29,203,588)
Payments for Scholarships	(52,029,593)
Loans Issued to Students	(6,934,425)
Collection of Loans to Students	6,810,841
Auxiliary Enterprises, Net	17,703,413
Sales and Service of Educational Departments	338
Other Receipts	1,251,691
	<b>(172,756,569)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	72,607,865
Gifts and Grants Received for Other Than Capital or Endowment Purposes	109,472,044
Direct Loan Program Receipts	34,416,099
Direct Loan Program Disbursements	(34,609,600)
Private Gifts for Endowment Purposes	16,586
Other Nonoperating Expenses	(383,677)
	<b>181,519,317</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	7,579,761
Capital Grants and Gifts	6,342,357
Purchases of Capital Assets	(6,653,757)
Principal Paid on Capital Debt and Leases	(2,240,036)
Interest Paid on Capital Debt and Leases	(1,036,666)
	<b>3,991,659</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	1,285,527
Purchase of Investments, Net	(23,751,664)
	<b>(22,466,137)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(9,711,730)</b>
Cash and Cash Equivalents, Beginning of Year	76,611,441
	<b>76,611,441</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 66,899,711</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (181,496,777)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,244,484
Changes in Assets and Liabilities:	
Receivables, Net	(1,216,919)
Due From Other Governmental Agencies	686,201
Inventories	(507,266)
Prepaid Expenses	(127,028)
Accounts Payable	(1,020,607)
Salary and Payroll Taxes Payable	213,270
Deferred Revenue	422,063
Deposits Held for Others	199,777
Compensated Absences Payable	493,300
Other Postemployment Benefits Payable	1,352,933
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (172,756,569)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net assets as net losses, but are not cash transactions for the statement of cash flows.	\$ 44,912

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**BROWARD 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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

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

it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to tuition scholarship allowance as prescribed in NACUBO Advisory Report 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. The College maintains a detailed record of this activity in its Credit and Collection activity file at the financial aid and student level.

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

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

At June 30, 2011, the College reported as cash equivalents at fair value \$2,937,008 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 \$29,361,068 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM)

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

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

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

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

## 2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration; 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

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

215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

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

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B	
Surplus Funds Trust Fund	\$ 736,627
State Board of Administration Debt Service	
Accounts	88,213
United States Government Obligations	12,148,756
Mutual Funds	<u>23,668,087</u>
<b>Total College Investments</b>	<b><u>\$36,641,683</u></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 \$736,627 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 \$88,213 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.

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

**Other Investments**

The College’s other investments at June 30, 2011, consisted of United States Government obligations totaling \$12,148,756 and mutual funds totaling \$23,668,087. The following risks apply to these investments.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s investment policy requires that the maximum effective maturity of an individual security shall be five years from the date of purchase. The College’s investments in United States Government obligations have maturity dates of August 15, 2012, and November 15, 2012. The College’s investments in mutual funds have portfolios with average durations of 2.01 years to 3.06 years.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The College’s investment policy provides that the College will hold no securities with an individual or average credit rating below “A” by Standard & Poor’s or equivalent rating agency. United States Government obligations are not considered to have credit risk. The College’s investments in mutual funds at June 30, 2011 had portfolios with investments having an average credit quality of between AA and AAA.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College’s investment policy provides that securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College’s \$12,148,756 of investments in United States Government obligations and \$23,668,087 in mutual funds are held by the safekeeping agent in the name of the College.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College’s investment policy includes asset allocation guidelines requiring that surplus funds be primarily invested in short to intermediate term fixed-income securities to mitigate risk.

**Component Unit Investments**

Investments held by the College’s component unit at December 31, 2010, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Marketable Securities Equities:	
Foreign	\$ 23,826,257
Domestic	18,266,796
Other:	
Alternate Investments	8,335,894
Fixed Income	17,929,338
Money Market Funds	1,411,396
<b>Total Component Unit Investments</b>	<b>\$ 69,769,681</b>

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

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, salary overpayments, returned checks, unused credit memos, and returns in transit. These receivables are reported net of a \$377,096 allowance for doubtful accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the short-term loan program, financial aid overpayments, and fee deficiencies. Notes receivable are reported net of a \$2,771,245 allowance for doubtful notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$46,794,133 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM COMPONENT UNIT**

The college reported a due from component unit of \$233,758, which represents expenditures made by the College that will be reimbursed by the component unit. The College's financial statements are reported for the fiscal year ended June 30, 2011. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2010. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, no amount is reported for the component unit as a payable to the College.

**7. INVENTORIES**

Inventories consist of items for resale by the campus bookstore and office and educational supplies maintained in the central stores warehouse. The bookstore inventories are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. The central stores inventory is valued using the weighted-average cost method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

**8. CAPITAL ASSETS**

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

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

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 3,692,517	\$	\$	\$	\$ 3,692,517
Construction in Progress	4,122,791	175,890	5,119,780		9,418,461
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 7,815,308</b>	<b>\$ 175,890</b>	<b>\$ 5,119,780</b>	<b>\$</b>	<b>\$ 13,110,978</b>
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 243,292,997	\$	\$	\$	\$ 243,292,997
Other Structures and Improvements	14,499,592				14,499,592
Furniture, Machinery, and Equipment	19,208,504	176,254	1,550,955	1,056,740	19,878,973
Assets Under Capital Leases	12,975,539				12,975,539
<b>Total Depreciable Capital Assets</b>	<b>289,976,632</b>	<b>176,254</b>	<b>1,550,955</b>	<b>1,056,740</b>	<b>290,647,101</b>
<b>Less, Accumulated Depreciation:</b>					
Buildings	92,995,789		5,989,931		98,985,720
Other Structures and Improvements	13,437,227		151,766		13,588,993
Furniture, Machinery, and Equipment	17,138,252	127,912	1,188,060	1,056,740	17,397,484
Assets Under Capital Leases	11,438,114		914,727		12,352,841
<b>Total Accumulated Depreciation</b>	<b>135,009,382</b>	<b>127,912</b>	<b>8,244,484</b>	<b>1,056,740</b>	<b>142,325,038</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 154,967,250</b>	<b>\$ 48,342</b>	<b>\$(6,693,529)</b>	<b>\$</b>	<b>\$ 148,322,063</b>

Note: (1) Adjustments relate to project expenses that had not been capitalized in previous years, and prior year additions added in the 2010-11 fiscal year.

**9. GRAVES MUSEUM ARTIFACTS**

On March 28, 2005, the United States Bankruptcy Court named Broward College recipient of the Graves Museum of Archaeology and Natural History Collection. Out of 20 major collections and 38 small collections of donated assets, approximately 71 percent have been fully cataloged and all artifacts have been photographed. College staff indicated it will take several more years to fully catalog the entire collection. While the collection is undoubtedly quite valuable and irreplaceable, the College has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

**10. DEFERRED REVENUE**

Deferred revenue of \$1,077,721 includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

**11. LONG-TERM LIABILITIES**

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

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 22,065,000	\$	\$ 1,100,000	\$ 20,965,000	\$ 1,145,000
Capital Leases Payable	2,347,495		1,140,036	1,207,459	831,372
Compensated Absences Payable	9,577,384	4,419,456	3,926,156	10,070,684	630,806
Other Postemployment Benefits Payable	3,653,884	1,787,278	434,345	5,006,817	
<b>Total Long-Term Liabilities</b>	<b>\$ 37,643,763</b>	<b>\$ 6,206,734</b>	<b>\$ 6,600,537</b>	<b>\$ 37,249,960</b>	<b>\$ 2,607,178</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, Series 2005B. 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 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.
- Capital Improvement Revenue Bonds, Series 2008A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the participating colleges on parity with the 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 2006A and 2008A pledged revenues and on the revenues pledged by colleges participating in such additional bonds. These bonds were issued for the construction of a multi-level parking structure at the College’s Central 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 2005B	\$ 3,690,000	5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds: Series 2008A	<u>17,275,000</u>	3.4 - 5.0	2028
<b>Total</b>	<b><u>\$ 20,965,000</u></b>		

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

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Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2012	\$ 420,000	\$ 184,500	\$ 604,500
2013	440,000	163,500	603,500
2014	460,000	141,500	601,500
2015	485,000	118,500	603,500
2016	510,000	94,250	604,250
2017-2020	1,375,000	130,500	1,505,500
<b>Total</b>	<b>\$ 3,690,000</b>	<b>\$ 832,750</b>	<b>\$ 4,522,750</b>

Fiscal Year Ending June 30	Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2012	\$ 725,000	\$ 744,784	\$ 1,469,784
2013	750,000	719,409	1,469,409
2014	780,000	691,284	1,471,284
2015	810,000	662,034	1,472,034
2016	835,000	634,493	1,469,493
2017-2021	4,755,000	2,596,056	7,351,056
2022-2026	5,875,000	1,473,988	7,348,988
2027-2028	2,745,000	195,450	2,940,450
<b>Total</b>	<b>\$ 17,275,000</b>	<b>\$ 7,717,498</b>	<b>\$ 24,992,498</b>

In prior years, portions of the SBE Capital Outlay Bonds, Series 1998A and 2000A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College’s statement of net assets. As of June 30, 2011, \$2,750,000 of SBE Capital Outlay Bonds, Series 1998A, and \$1,090,000 of SBE Capital Outlay Bonds, Series 2000A, are considered defeased in-substance.

**Capital Leases Payable.** In April 1997, energy management equipment in the amount of \$12,975,539 was acquired under several capital lease agreements. The stated interest rates ranged from 3.29 percent to 3.61 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 857,916
2013	306,598
2014	77,076
<b>Total Minimum Payments</b>	1,241,590
Less, Amount Representing Interest	34,131
<b>Present Value of Minimum Payments</b>	<b>\$ 1,207,459</b>

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**JUNE 30, 2011**

**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 \$10,070,684. The current portion of the compensated absences liability is the amount estimated based upon the average of the projected terminal leave payouts calculated from the first projection year from the calculation of the compensated absences liability.

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

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

*Funding Policy.* The Board of Trustees has established and can amend Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 117 retirees received other postemployment benefits. The College provided required contributions of \$434,345 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$616,340.

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

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,063,582
Amortization of Unfunded Actuarial Accrued Liability	708,037
<b>Annual Required Contribution</b>	1,771,619
Interest on Net OPEB Obligation	146,155
Adjustment to Annual Required Contribution	(130,496)
<b>Annual OPEB Cost (Expense)</b>	1,787,278
Contribution Toward the OPEB Cost	(434,345)
<b>Increase in Net OPEB Obligation</b>	1,352,933
Net OPEB Obligation, Beginning of Year	3,653,884
<b>Net OPEB Obligation, End of Year</b>	\$ 5,006,817

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	\$ 1,568,993	37.9%	\$ 2,174,117
2009-10	1,693,960	12.6%	3,653,884
2010-11	1,787,278	24.3%	5,006,817

*Funded Status and Funding Progress.* As of October 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$18,692,337, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,692,337 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$76,613,475 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.4 percent.

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

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

**BROWARD COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

The College's OPEB actuarial valuation as of October 1, 2009, used the entry age cost actuarial 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 was the most common method used for government pension valuation and spreads the cost evenly throughout the collective careers of those in the covered workforce. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent for the 2010-11 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 26 years.

## 12. RETIREMENT PROGRAMS

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

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

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

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

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JUNE 30, 2011**

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 \$5,256,544, \$5,442,853, and \$6,093,599, 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 230 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$1,321,051.

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.

**BROWARD COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
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JUNE 30, 2011**

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

There were 167 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$1,349,538.

**13. 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>
Central Campus:			
Institute of Public Safety Building 22 Remodel	\$ 14,282,939	\$ 3,373,297	\$ 10,909,642
Building 6 Classroom Renovation	9,825,154	2,787,933	7,037,221
Building 8 Renovation	8,481,517	250,679	8,230,838
South Campus:			
Building 72 Renovation	<u>10,630,561</u>	<u>3,006,552</u>	<u>7,624,009</u>
<b>Total</b>	<b><u>\$ 43,220,171</u></b>	<b><u>\$ 9,418,461</u></b>	<b><u>\$ 33,801,710</u></b>

**14. 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, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Life, dental, and long-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**BROWARD COLLEGE  
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JUNE 30, 2011**

**Self-Insured Program.** The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College’s liability was limited by excess reinsurance to \$205,000 per insured person through December 2010, then \$225,000 from January 2011. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$10,275,702 as of June 30, 2011. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2011, totaled \$8,173,180 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2009-10	\$ 9,036,940	\$12,840,734	\$(11,858,285)	\$ 10,019,389
2010-11	\$10,019,389	\$12,868,923	\$(12,612,610)	\$ 10,275,702

**Commercially Purchased Insurance.** In support of its aviation program, the College has purchased Airport Premises and Aircraft Hull and Liability coverage through a commercial carrier with a minimum deductible. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**15. 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

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JUNE 30, 2011**

are deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 62,163,137
Gross Receipts Tax (Public Education Capital Outlay)	12,289,601
Education Enhancement Trust Fund (Lottery)	8,977,892
Florida Student Assistance Grants	6,212,867
Bright Futures Scholarship Program	3,563,823
Restricted Contracts and Grants	2,058,278
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,026,800
Other State Sources	<u>856,859</u>
<b>Total</b>	<b><u>\$ 97,149,257</u></b>

**16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net 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	\$ 76,403,645
Public Services	1,260,479
Academic Support	20,209,682
Student Services	22,633,972
Institutional Support	27,397,891
Operation and Maintenance of Plant	29,183,476
Scholarships and Fellowships	51,356,265
Depreciation	8,244,484
Auxiliary Enterprises	<u>20,155,823</u>
<b>Total Operating Expenses</b>	<b><u>\$ 256,845,717</u></b>

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**JUNE 30, 2011**

**17. FISCAL AGENT FOR THE HIGHER EDUCATION TECHNOLOGY GROUP**

Effective July 1, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from HETGroup and for certain personnel functions. For the 2010-11 fiscal year, HETGroup revenues and expenditures totaled \$2,671,647 and \$2,723,885, respectively, and are reported as operating nongovernmental grants and contracts and operating expenditures, respectively, on the statement of revenues, expenses, and changes in net assets. At June 30, 2011, net assets of HETGroup totaling \$1,708,411 are held in the College's Current Restricted Fund.

**18. SUBSEQUENT EVENTS**

On July 1, 2011, Broward College purchased property located at 6400 NW 6th Way, Fort Lauderdale, Florida, for \$7,200,000. This building will be used primarily for administrative offices.

On September 28, 2011, Broward College purchased property located at 145th Avenue, east of Interstate I-75 between Miramar Parkway and Pembroke Road, in Fort Lauderdale, Florida, for \$6,200,000. This site will be used for future development of an educational facility.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2007	\$	\$ 19,439,651	\$ 19,439,651	0%	\$ 61,198,715	31.8%
10/1/2009	\$	\$ 18,692,337	\$ 18,692,337	0%	\$ 63,329,742	29.5%

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



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The President of the Senate, the Speaker of the  
House of Representatives, and the  
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## 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 Broward College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2012-038.

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  
February 24, 2012