REPORT NO. 2013-112
FEBRUARY 2013

CHIPOLA COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

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Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2010.

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

The audit team leader was Pamela Thompson, CPA, and the audit was supervised by Patricia Crutchfield, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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

CHIPOLA COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Chipola 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, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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FAX: 850-488-6975

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 Chipola 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, 2012, 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 Chipola College and of its discretely presented component unit as of June 30, 2012, 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 Chipola 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**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

David W. Martin, CPA
February 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

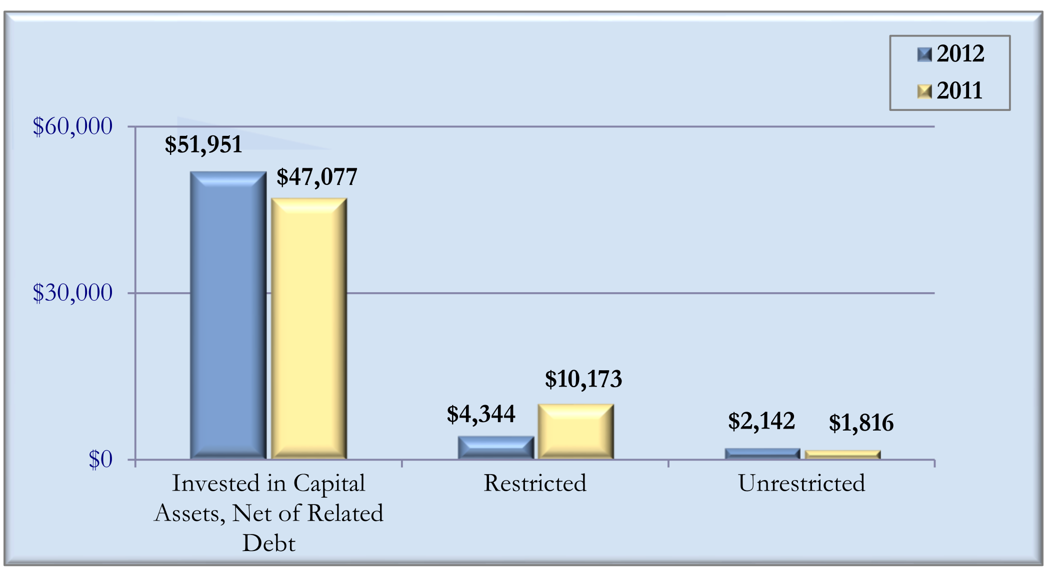
FINANCIAL HIGHLIGHTS

The College's assets totaled $62.6 million at June 30, 2012. This balance reflects an $817 thousand, or 1.3 percent, decrease from the 2010-11 fiscal year, resulting primarily from a decrease of $1.6 million in restricted cash and cash equivalents, offset by a $710 thousand increase in unrestricted cash and cash equivalents. In addition, a decrease of $4.8 million in funds due from other governmental agencies, offset by an increase in net capital assets of $4.8 million has contributed to the decline in total assets. Liabilities decreased by a lesser amount of $188 thousand, or 4.4 percent, totaling $4.1 million at June 30, 2012, compared to $4.3 million at June 30, 2011. As a result, the College's net assets decreased by $629 thousand, resulting in a year-end balance of $58.4 million.

The College's operating revenues totaled $4 million for the 2011-12 fiscal year, representing a 4.2 percent decrease as compared to the 2010-11 fiscal year, primarily as a result of a decrease in funding for grants and contracts. Operating expenses totaled $20.2 million for the 2011-12 fiscal year, representing a decrease of 10.5 percent as compared to the 2010-11 fiscal year due mainly to a decrease in scholarship expenses.

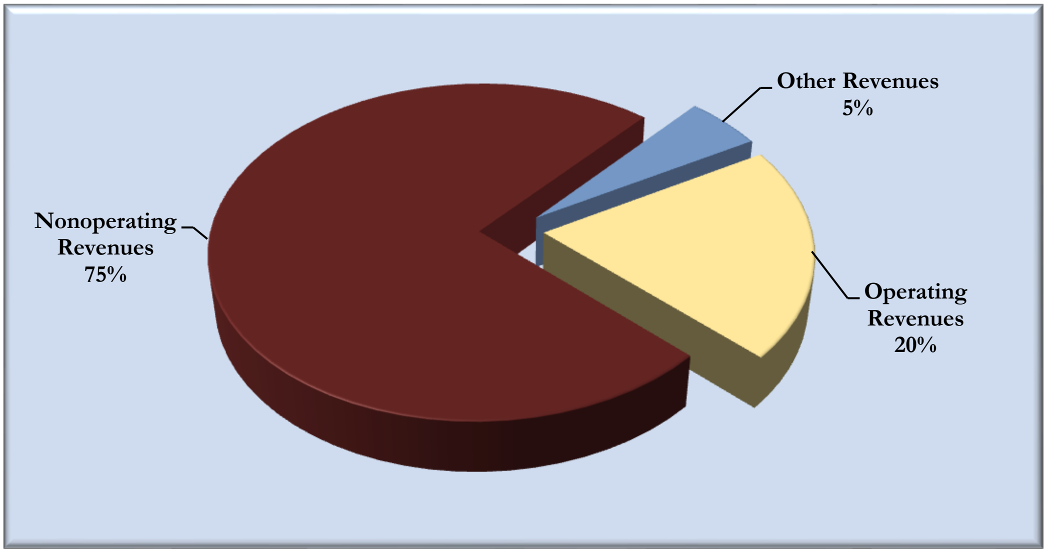
Net assets represent the residual interest in the College's assets after deducting liabilities. The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

Net Assets: College
(In Thousands)



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net 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:

- Chipola 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.
- Chipola 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 Chipola 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 the College's operating results.

These two statements report the 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, 2012, and June 30, 2011, is shown in the following table:

Condensed Statement of Net Assets at
(In Thousands)

	College			Component Unit	
	6-30-12		6-30-11	6-30-12	6-30-11
Assets					
Current Assets	$ 10,235		$ 14,752	$ 285	$ 235
Capital Assets, Net	52,191		47,357		
Other Noncurrent Assets	144		1,278	14,709	14,524
Total Assets	62,570		63,387	14,994	14,759
Liabilities					
Current Liabilities	2,467		2,682	43	34
Noncurrent Liabilities	1,666		1,639		
Total Liabilities	4,133		4,321	43	34
Net Assets					
Invested in Capital Assets, Net of Related Debt	51,951		47,077		
Restricted	4,344		10,173	11,870	11,600
Unrestricted	2,142		1,816	3,081	3,125
Total Net Assets	$ 58,437		$ 59,066	$ 14,951	$ 14,725
Increase (Decrease) in Net Assets	$ (629)	-1.06%		$ 226	1.53%

Total assets decreased by $817 thousand and total net assets decreased by $629 thousand in the 2011-12 fiscal year. The decline in total assets is primarily from a decrease of $1.6 million in restricted cash and cash equivalents, offset by a $710 thousand increase in unrestricted cash and cash equivalents. In addition, a decrease of $4.8 million in funds due from other governmental agencies, offset by an increase in capital assets of $4.8 million has contributed to the decline in net assets. These changes are the result of Public Education Capital Outlay (PECO) funds received from the State and restricted cash used in the construction of the new Center for Arts Building.

Revenues and expenses of the College and its component unit for the 2011-12 and 2010-11 fiscal years are shown in the following table:

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

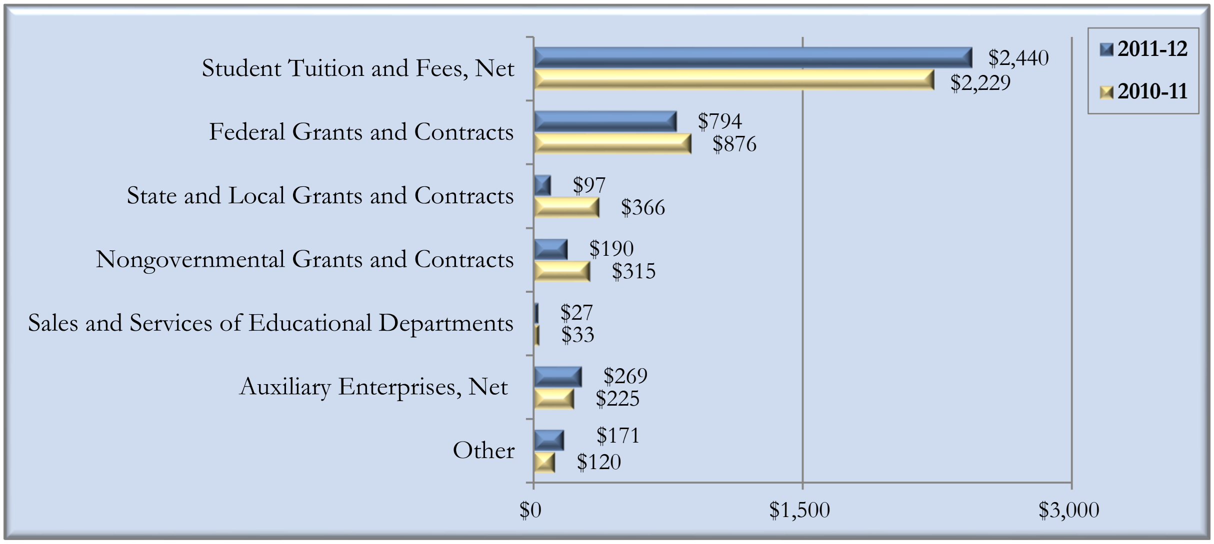
	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 2,440	$ 2,229	$	$
Federal Grants and Contracts	794	876		
State and Local Grants and Contracts	97	366		
Nongovernmental Grants and Contracts	190	315	785	797
Sales and Services of Educational Departments	27	33		
Auxiliary Enterprises, Net of Scholarship Allowances	269	225		
Other Operating Revenues	171	120	42	44
Total Operating Revenues	3,988	4,164	827	841
Less, Operating Expenses	20,248	22,636	1,137	1,076
Operating Loss	(16,260)	(18,472)	(310)	(235)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	9,630	9,638		
Other Nonoperating Revenues	5,000	6,896	401	1,254
Nonoperating Expenses	(17)	(16)		
Net Nonoperating Revenues	14,613	16,518	401	1,254
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,647)	(1,954)	91	1,019
State Capital Appropriations	500	2,807		
Capital Grants, Contracts, Gifts, and Fees	518	414		
Additions to Permanent Endowments			135	183
Increase (Decrease) in Net Assets	(629)	1,267	226	1,202
Net Assets, Beginning of Year	59,066	57,799	14,725	13,523
Net Assets, End of Year	$ 58,437	$ 59,066	$ 14,951	$ 14,725

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 2011-12 and 2010-11 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues include student tuition and fees and auxiliary enterprises, which are shown net of scholarship allowances, (amounts received from other than students and third-party payers). Scholarship allowances include payments from Federal Title IV student aid programs (i.e., Pell and FSEOG), Florida Bright Futures Scholarships, and other institutional scholarships. Other College operating revenues include Federal, State, local, and nongovernmental grants and contracts, and auxiliary enterprises revenues, which consist of bookstore commissions, housing operations, and campus-wide vending programs. Total operating revenues decreased by $176 thousand in fiscal year 2011-12 when compared to the previous fiscal year. As shown in the chart above, State and local grants and contracts declined by $269 thousand primarily as a result of the absence of $222 thousand in Quick Response Training Grants received in the 2010-11 fiscal year.

Operating Expenses

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

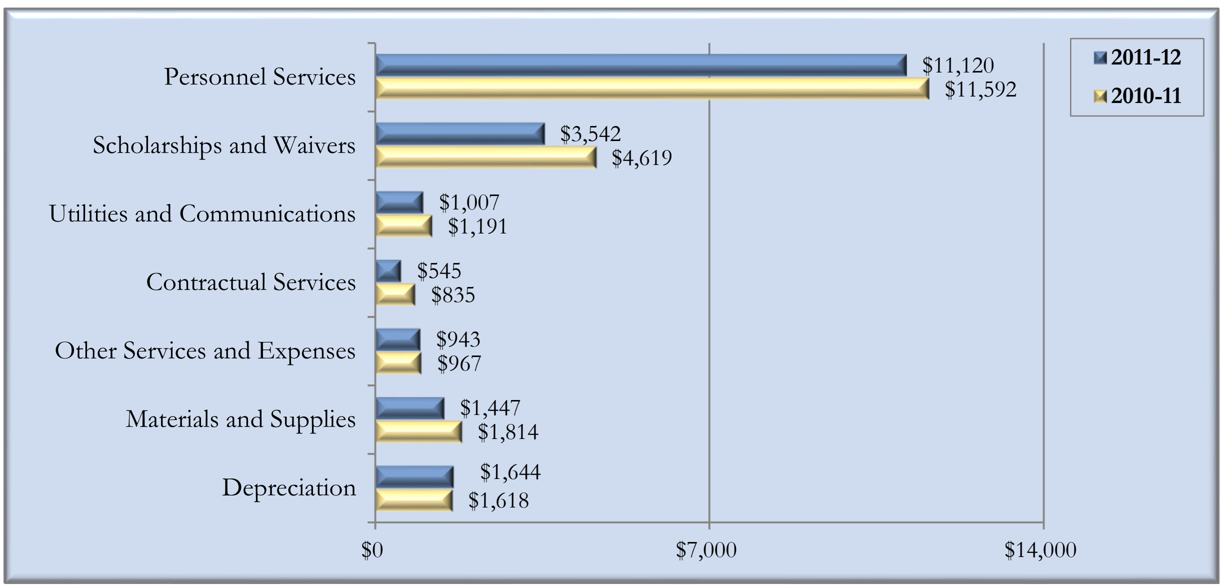
Operating expenses for the College and its component unit for the 2011-12 and 2010-11 fiscal years are presented in the following table:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Expenses				
Personnel Services	$ 11,120	$ 11,592	$	$
Scholarships and Waivers	3,542	4,619	653	571
Utilities and Communications	1,007	1,191		
Contractual Services	545	835		
Other Services and Expenses	943	967	484	505
Materials and Supplies	1,447	1,814		
Depreciation	1,644	1,618		
Total Operating Expenses	$ 20,248	$ 22,636	$ 1,137	$ 1,076

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

Operating Expenses: College
(In Thousands)



College operating expense decreased by $2.4 million compared to the 2010-11 fiscal year. Decreases in scholarships and waivers of nearly $1.1 million were the primary reasons for the overall decrease, which include a reduction of $173 thousand in Florida Merit scholarships, the elimination of $126 thousand in Federal Academic Competitiveness Grant (ACG) scholarships, and a reduction in Federal student financial aid.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses): College
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 9,630	$ 9,638
Federal and State Student Financial Aid	4,986	6,057
Gifts and Grants		816
Investment Income	14	23
Interest on Capital Asset-Related Debt	(14)	(16)
Other Nonoperating Expenses	(3)	
Net Nonoperating Revenues	$ 14,613	$ 16,518

When compared to the 2010-11 fiscal year, College net nonoperating revenues decreased by $1.9 million, or 11.5 percent. The decrease was mainly attributed to a reduction in Federal and State student financial aid and the elimination of $792 thousand in Federal American Recovery and Reinvestment Act (ARRA) funds.

Other Revenues, Expenses, Gains, or Losses

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

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

	2011-12	2010-11
State Capital Appropriations	$ 500	$ 2,807
Capital Grants, Contracts, Gifts, and Fees	518	414
Total	$ 1,018	$ 3,221

State capital appropriations, which consists of PECO appropriations and support from the State-assessed motor vehicle license tax for bond debt service, decreased by $2.3 million, due to a decline in State PECO appropriations to the College for capital projects.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's cash flows for the 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (14,377)	$ (16,788)
Noncapital Financing Activities	14,616	16,511
Capital and Related Financing Activities	(1,124)	1,755
Investing Activities	14	57
Net Increase (Decrease) in Cash and Cash Equivalents	(871)	1,535
Cash and Cash Equivalents, Beginning of Year	7,613	6,078
Cash and Cash Equivalents, End of Year	$ 6,742	$ 7,613

Major sources of funds came from State noncapital appropriations ($9.6 million), State capital appropriations ($5.2 million), Federal and State student financial aid ($5 million) and net student tuition and fees ($2.4 million). Major uses of funds were for payments of employees' salaries and benefits ($10.9 million), purchases of capital assets ($6.9 million), and payments for scholarships ($3.5 million).

Cash and cash equivalents decreased by $871 thousand, or 11.4 percent from the previous year. The decrease in cash used by operating activities is partly a result of a $1.1 million decrease in cash outflow for scholarships, as certain Federal and State scholarships declined or were eliminated. In addition, decreases in cash outflows for employee benefits of $625 thousand in the 2011-12 fiscal year contributed to the decline in cash used by operating activities. The decline in employee benefits was primarily the result of changes to the Florida Retirement System which required employees to contribute 3 percent of their salaries toward retirement, thereby reducing the required contribution for the College.

Decreases in noncapital financing cash inflows of $1.9 million were also affected by the reduction in Federal and State scholarship funding, and the elimination of ARRA funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had $79.1 million in capital assets, less accumulated depreciation of $26.9 million, for net capital assets of $52.2 million. Depreciation charges for the current fiscal year totaled $1.6 million. The following table summarizes the College's capital assets at June 30:

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

Capital Assets	2012	2011
Land	$ 1,952	$ 1,952
Construction in Progress	16,651	10,574
Buildings	51,406	51,405
Other Structures and Improvements	6,951	6,825
Furniture, Machinery, and Equipment	2,126	2,077
Total	79,086	72,833
Less, Accumulated Depreciation:		
Buildings	19,843	18,678
Other Structures and Improvements	5,282	4,969
Furniture, Machinery, and Equipment	1,770	1,829
Total Accumulated Depreciation	26,895	25,476
Capital Assets, Net	$ 52,191	$ 47,357

The College has nearly $1.4 million in major construction contract commitments at June 30, 2012. The commitments are for finishing the new Center for Arts Building and beginning construction of the second phase of the Centralized Chiller Plant. 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 $240 thousand in long-term debt outstanding versus $280 thousand at the end of the prior fiscal year. The entire amount of this is in State Board of Education Capital Outlay Bonds.

The State Board of Education issues capital outlay bonds on behalf of the College. The bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. Proceeds from these bonds are used to construct and renovate College facilities. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Chipola College's economic condition is closely tied to that of the State of Florida. Because of a recent increase in general State appropriations to the College, the Board of Trustees was able to keep the 2012-13 fiscal year tuition rates for two-year programs at the 2011-12 fiscal year rates. However, due to a decline in resources appropriated for Capital projects, the College's trustees approved a $2 increase per credit hour for Capital improvement fees, to take effect beginning with the Fall 2012 term.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance, Chipola College, 3094 Indian Circle, Marianna, Florida 32446.

BASIC FINANCIAL STATEMENTS

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

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,534,836	$ 183,537
Restricted Cash and Cash Equivalents	2,063,415	
Accounts Receivable, Net	93,610	32,966
Notes Receivable, Net	6,486	
Due from Other Governmental Agencies	3,362,566	
Due from College		34,669
Prepaid Expenses	174,626	
Other Assets		34,270
Total Current Assets	10,235,539	285,442
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	144,219	2,156,073
Restricted Investments		12,335,237
Depreciable Capital Assets, Net	33,587,978	
Nondepreciable Capital Assets	18,602,706	
Other Assets		217,128
Total Noncurrent Assets	52,334,903	14,708,438
TOTAL ASSETS	$ 62,570,442	$ 14,993,880
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 536,608	$ 42,552
Salary and Payroll Taxes Payable	584,761	
Retainage Payable	900,219	
Due to Other Governmental Agencies	29,961	
Due to Component Unit	34,669	
Deferred Revenue	90,947	
Deposits Held for Others	45,024	
Long-Term Liabilities - Current Portion:		
Bonds Payable	45,000	
Compensated Absences Payable	200,000	
Total Current Liabilities	2,467,189	42,552
Noncurrent Liabilities:		
Bonds Payable	195,000	
Compensated Absences Payable	1,347,413	
Other Postemployment Benefits Payable	123,608	
Total Noncurrent Liabilities	1,666,021	
TOTAL LIABILITIES	4,133,210	42,552

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 51,950,684	$
Restricted:		
Nonexpendable:		
Endowment		6,207,891
Expendable:		
Grants and Loans	555,918	
Scholarships	438,372	5,662,652
Capital Projects	3,336,878	
Debt Service	13,208	
Unrestricted	2,142,172	3,080,785
Total Net Assets	58,437,232	14,951,328
TOTAL LIABILITIES AND NET ASSETS	$ 62,570,442	$ 14,993,880

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $1,880,168	$ 2,440,162	$
Federal Grants and Contracts	793,825	
State and Local Grants and Contracts	97,057	
Nongovernmental Grants and Contracts	190,136	785,302
Sales and Services of Educational Departments	26,527	
Auxiliary Enterprises, Net of Scholarship Allowances of $17,150	269,110	
Other Operating Revenues	171,621	42,206
Total Operating Revenues	3,988,438	827,508
EXPENSES		
Operating Expenses:		
Personnel Services	11,120,509	
Scholarships and Waivers	3,541,701	653,475
Utilities and Communications	1,007,056	
Contractual Services	545,143	
Other Services and Expenses	943,451	483,676
Materials and Supplies	1,446,792	
Depreciation	1,643,628	
Total Operating Expenses	20,248,280	1,137,151
Operating Loss	(16,259,842)	(309,643)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	9,630,183	
Federal and State Student Financial Aid	4,986,248	
Investment Income	13,687	354,328
Net Realized and Unrealized Gain on Investments		46,630
Loss on Disposal of Capital Assets	(3,096)	
Interest on Capital Asset-Related Debt	(14,514)	
Net Nonoperating Revenues	14,612,508	400,958
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,647,334)	91,315
State Capital Appropriations	500,258	
Capital Grants, Contracts, Gifts, and Fees	518,308	
Additions to Permanent Endowments		135,281
Total Other Revenues	1,018,566	135,281
Increase (Decrease) in Net Assets	(628,768)	226,596
Net Assets, Beginning of Year	59,066,000	14,724,732
Net Assets, End of Year	$ 58,437,232	$ 14,951,328

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 2,435,070
Grants and Contracts	1,141,987
Payments to Suppliers	(2,935,386)
Payments for Utilities and Communications	(1,007,056)
Payments to Employees	(9,089,075)
Payments for Employee Benefits	(1,788,480)
Payments for Scholarships	(3,541,701)
Loans Issued to Students	(7,367)
Collection on Loans to Students	7,971
Auxiliary Enterprises, Net	269,110
Sales and Service of Educational Departments	26,527
Other Receipts	111,821
Net Cash Used by Operating Activities	(14,376,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	9,630,183
Federal and State Student Financial Aid	4,986,248
Federal Direct Loan Program Receipts	758,981
Federal Direct Loan Program Disbursements	(758,981)
Net Cash Provided by Noncapital Financing Activities	14,616,431
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,245,693
Capital Grants and Gifts	518,308
Proceeds from Sale of Capital Assets	23,211
Purchases of Capital Assets	(6,857,062)
Principal Paid on Capital Debt	(40,000)
Interest Paid on Capital Debt	(14,514)
Net Cash Used by Capital and Related Financing Activities	(1,124,364)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	13,687
Net Decrease in Cash and Cash Equivalents	(870,825)
Cash and Cash Equivalents, Beginning of Year	7,613,295
Cash and Cash Equivalents, End of Year	$ 6,742,470

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (16,259,842)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,643,628
Changes in Assets and Liabilities:	
Receivables, Net	2,163
Due from Other Governmental Agencies	58,769
Prepaid Expenses	(27,812)
Loans to Students	604
Accounts Payable	(40,978)
Salaries and Payroll Taxes Payable	170,451
Deferred Revenue	(5,056)
Deposits Held for Others	8,991
Compensated Absences Payable	26,014
Other Postemployment Benefits Payable	46,489
NET CASH USED BY OPERATING ACTIVITIES	$ (14,376,579)

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 3,096

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Chipola College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine 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 Calhoun, Holmes, Jackson, Liberty, and Washington Counties.

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 Chipola 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 June 30, 2012.

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

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options.

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

The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless 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 noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and student tuition and fees, and auxiliary enterprises revenues are reported net of 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 the financial aid and other funds determined to be subject to scholarship allowances. 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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) in Florida PRIME. 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 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, 2012, the College reported as cash equivalents at fair value $3,706,823 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, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. 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.

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

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment – 5 years

Asset valuations are discussed below:

- Land – Land acquired prior to June 30, 1979, is stated at fair market value based upon appraisal with subsequent additions at cost, except for land acquired by donation, which is stated at fair market value at the date of donation. The value of land by valuation method is shown in the following tabulation:

Valuation Method	Values
Appraisal Value	$ 357,000
Fair Market Value (at Date of Donation)	96,475
Cost	1,498,651
Total	$ 1,952,126

- Buildings – Buildings acquired prior to June 30, 1971, are stated at historically-based appraised values with subsequent additions at cost except for buildings acquired by donation which are stated at fair market value at the date of donation. The value of buildings by valuation method is shown in the following tabulation:

Valuation Method	Values
Historically-Based Appraisal Cost	$ 1,818,708
Cost	48,839,363
Fair Market Value (at Date of Donation)	747,570
Total	$ 51,405,641

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

2. INVESTMENTS

Component Unit Investments

Investments held by the College's component unit, the Chipola College Foundation, Inc. (Foundation), at June 30, 2012, are reported at fair value as follows:

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

Investment Type	Fair Value	Maturities	Credit Quality Rating (1)
United States Treasury Notes	$ 871,494	July 31, 2015 - August 15, 2021	Aaa/AAA
United States Treasury Bonds	18,467	August 15, 2040	Aaa/AAA
United States Government Agencies:			
Federal Home Loan Mortgage Corp.	69,884	November 15, 2013 - July 17, 2015	AA+/Aaa/AAA
Federal Home Loan Mortgage Gold Pool	22,322	April 1, 2021 - June 1, 2021	None
Federal National Mortgage Association Pool	138,495	July 1, 2025 - July 1, 2041	None
Federal Home Loan Mortgage Corp. Medium Term Note	644,364	September 15, 2012 - March 27, 2019	AA+/Aaa/AAA
Corporate Bonds:			
Abbott Labs	71,472	April 1, 2019	AA/A1/A+
Anheuser Busch Inbev Worldwide	10,777	January 15, 2015	A/A3/A
AT&T Inc.	72,954	August 15, 2015	A-/A2/A
Bank of New York	77,697	January 15, 2016	A+/Aa3/AA-
Bank of Nova Scotia	73,791	January 22, 2015	AA-/Aa1/AA-
BB&T Corp Senior Medium Term	81,341	March 15, 2016 - April 29, 2016	A-/A2/A+
Berkshire Hathaway Inc. Del	79,214	February 11, 2015 - January 31, 2017	AA+/Aa2/A+
BlackRock Inc., Note	79,554	December 10, 2014	A+/A1
BP Capital Markets PLC	77,573	October 1, 2015 - November 1, 2016	A/A2/A
Canadian Imperial Bank of Commerce	72,426	December 11, 2015	A+/Aa2/AA-
Caterpillar Financial Services Corp.	74,823	September 30, 2013	A/A2/A
Cisco System, Inc.	76,641	February 15, 2019	A+/A1
Coca Cola Co.	12,004	November 15, 2017	A+/Aa3/A+
Conoco Phillips	12,195	February 1, 2019	A/A1/A
General Electric Capital Corp.	88,209	September 16, 2020 - March 15, 2032	AA+/A1
Home Depot	80,697	March 1, 2016	A-/A3/A-
JPMorgan Chase & Co.	83,446	January 20, 2015	A/A2/AA+
Medtronic Inc.	68,976	March 15, 2015	A+/A1
MetLife Inc.	65,964	June 15, 2015	A-/A3/A-
Oracle Corp./Ozark Hldg Inc.	79,501	July 8, 2014 - January 15, 2016	A+/A1/A+
Pepsico Inc.	78,847	November 1, 2020	A-/Aa3/A
PNC Funding Corporation	79,658	February 8, 2015	A-/A3/A+
Shell International Finance Guaranteed Note	80,016	June 28, 2015	AA/Aa1/AA
State Street Corp.	68,849	March 7, 2016	A+/A1/A+
Statoil ASA	70,532	August 17, 2017	AA-/Aa2
United Health Group Inc.	51,190	November 15, 2016	A-/A3/A-
United Technologies Corp.	12,383	February 1, 2019	A/A2/A
US Bankcorp	84,109	March 14, 2015 - November 15, 2016	A/Aa3/AA-
Verizon Communications Inc. Note	79,719	April 1, 2016	A-/A3/A
Wachovia Corp. Global Medium Term Notes	10,391	May 1, 2013	A+/A2/AA-
Wal-Mart Stores, Inc.	73,939	February 15, 2018	AA/Aa2/AA
Walt Disney Co.	63,525	December 15, 2013	A/A2/A
Wells Fargo & Co. New Medium Sr. Note	69,194	April 15, 2015	A+/A2/AA-
WestPac Banking Corp.	67,509	August 4, 2015	AA-/Aa2/AA-
Certificates of Deposit	886,846	NA	NA
Domestic Equities	4,680,938	NA	NA
Foreign Equities	1,065,342	NA	NA
Mutual Funds	931,094	NA	NA
Land and Timber	776,875	NA	NA
Total	$12,335,237		

Note: (1) Rated by Standard & Poor's, Moody's Investor Service, and/or Fitch Ratings.
NA Not Applicable to investment type.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation has no written investment policy that limits exposure to decline in fair values resulting from interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation has no written investment policy that limits exposure to credit risk.

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Foundation will not be able to recover the value of its investments or collateral securities, that are in the possession of an outside party. The Foundation has no written investment policy for custodial credit risk; however, none of the Foundation's money market and short-term investment accounts were exposed to unsecured and uncollateralized custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments in a single issuer. The Foundation has no written investment policy that places limits on the amount that may be invested in any type of investment.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation holds $1,439,680 in various foreign equities and foreign corporate bonds as of June 30, 2012. The foreign holdings account for approximately 12 percent of the Foundation's total investments. The Foundation has no investment policy that limits its investment choices as it relates to foreign investments.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for vending machine sales, and contract and grant reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program. These receivables are deemed fully collectible and therefore no allowance for uncollectible notes has been recognized.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $3,176,593 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 1,952,126	$	$	$ 1,952,126
Construction in Progress	10,574,052	6,203,859	127,331	16,650,580
Total Nondepreciable Capital Assets	$ 12,526,178	$ 6,203,859	$ 127,331	$ 18,602,706
Depreciable Capital Assets:				
Buildings	$ 51,405,641	$	$	$ 51,405,641
Other Structures and Improvements	6,824,215	127,331		6,951,546
Furniture, Machinery, and Equipment	2,077,065	299,844	250,948	2,125,961
Total Depreciable Capital Assets	60,306,921	427,175	250,948	60,483,148
Less, Accumulated Depreciation:				
Buildings	18,678,251	1,165,107		19,843,358
Other Structures and Improvements	4,968,611	312,997		5,281,608
Furniture, Machinery, and Equipment	1,829,321	165,524	224,641	1,770,204
Total Accumulated Depreciation	25,476,183	1,643,628	224,641	26,895,170
Total Depreciable Capital Assets, Net	$ 34,830,738	$ (1,216,453)	$ 26,307	$ 33,587,978

7. DEFERRED REVENUE

Deferred revenue represents student tuition and fees of $90,947 received prior to fiscal year-end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 280,000	$	$ 40,000	$ 240,000	$ 45,000
Compensated Absences Payable	1,521,399	193,364	167,350	1,547,413	200,000
Other Postemployment Benefits Payable	77,119	46,489		123,608	
Total Long-Term Liabilities	$ 1,878,518	$ 239,853	$ 207,350	$ 1,911,021	$ 245,000

Bonds Payable. The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the State Board of Administration (SBA) administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2012:

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005-A	$ 240,000	5	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds Principal	Interest	Total
2013	$ 45,000	$ 12,000	$ 57,000
2014	45,000	9,750	54,750
2015	50,000	7,500	57,500
2016	50,000	5,000	55,000
2017	50,000	2,500	52,500
Total	$ 240,000	$ 36,750	$ 276,750

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $1,547,413. Of this amount, $200,000 is considered a current liability as this is expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last seven years' payments made to employees for leave liability owed.

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

Plan Description. The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Neither the College nor the Consortium issue a

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

stand-alone report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 48 retirees received other postemployment healthcare benefits and 2 retirees received postemployment life insurance benefits. The College provided no contributions during the 2011-12 fiscal year and retiree contributions totaled $261,608.

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 24,970
Amortization of Unfunded Actuarial Accrued Liability	10,631
Annual Required Contribution	35,601
Interest on Net OPEB Obligation	3,085
Adjustment to Annual Required Contribution	7,803
Annual OPEB Cost (Expense)	46,489
Contribution Toward the OPEB Cost	
Increase in Net OPEB Obligation	46,489
Net OPEB Obligation, Beginning of Year	77,119
Net OPEB Obligation, End of Year	$ 123,608

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, 2012, and for the two preceding fiscal years was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 26,691	33.8%	$ 53,706
2010-11	26,669	12.2%	77,119
2011-12	36,115	0.0%	123,608

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

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $318,924, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $318,924 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $7,157,971 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.5 percent.

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

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

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent pre-Medicare and 8.5 percent Medicare, for the 2011-12 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 payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

9. RETIREMENT PROGRAMS

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

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

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $697,935, $763,465, and $496,535, respectively, which were equal to the required contributions for each fiscal year.

There were 29 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $105,930, which was equal to the required contribution for the 2011-12 fiscal year.

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

10. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Center for Arts Building:			
Design - Builder	$ 12,238,119	$ 11,913,747	$ 324,372
Direct Purchase Orders	3,995,925	3,964,650	31,275
Chiller Plant - Phase 2:			
Contractor	1,021,500		1,021,500
Total	$ 17,255,544	$ 15,878,397	$ 1,377,147

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

11. 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 to February 29, 2012, and up to $90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

12. 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:

Functional Classification	Amount
Instruction	$ 5,985,537
Public Services	263,113
Academic Support	602,413
Student Services	2,492,660
Institutional Support	2,924,944
Operation and Maintenance of Plant	2,646,253
Scholarships and Waivers	3,618,365
Depreciation	1,643,628
Auxiliary Enterprises	71,367
Total Operating Expenses	$ 20,248,280

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 299,484	$ 299,484	0%	$ 7,726,628	3.9%
7/1/2009		222,403	222,403	0%	7,267,086	3.1%
7/1/2011		318,924	318,924	0%	7,157,971	4.5%

Note: (1) The actuarial cost method used by the College is the projected unit credit method.

CHIPOLA COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of $318,924 was significantly higher than the July 1, 2009, liability of $222,403 primarily due to:

- Demographic assumptions (rates of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.

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

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

We have audited the financial statements of Chipola 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, 2012, 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*.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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 26, 2013