

**STATE COLLEGE OF FLORIDA,  
MANATEE-SARASOTA**

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**Financial Audit**

For the Fiscal Year Ended  
June 30, 2012



**BOARD OF TRUSTEES AND PRESIDENT**

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

	<u>County</u>
Carlos M. Beruff, Chair	Manatee
Dr. Craig A. Trigueiro, Vice Chair	Manatee
Edward A. Bailey from 8-03-11 (1)	Manatee
Charles Fishman from 8-03-11 to 5-31-12 (1)(2)	Sarasota
Stephen L. Harner to 8-02-11 (3)	Sarasota
Joseph C. Miller, Jr.	Manatee
Ann Y. Moore	Sarasota
Lori A. Moran from 8-03-11	Sarasota
Charlene J. Neal	Manatee
Jennifer M. Saslaw	Sarasota

Dr. Lars Hafner, President

- Notes: (1) Position was vacant from July 1, 2011, to August 2, 2011.  
 (2) Position was vacant from June 1, 2012, through June 30, 2012.  
 (3) Board member served beyond the end of term, May 31, 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 Dawn T. Meyers, CPA, and the audit was supervised by Karen J. Collington, 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 State College of Florida, Manatee-Sarasota 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. The results of our operational audit of the College are included in our report No. 2013-064.

### 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 State College of Florida, Manatee-Sarasota, 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 represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of State College of Florida, Manatee-Sarasota 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 State College of Florida, Manatee-Sarasota'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  
March 20, 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 for the fiscal years ended June 30, 2012, and June 30, 2011, and its component unit, the State College of Florida Foundation, Inc., for the fiscal years ended September 30, 2011, and September 30, 2010.

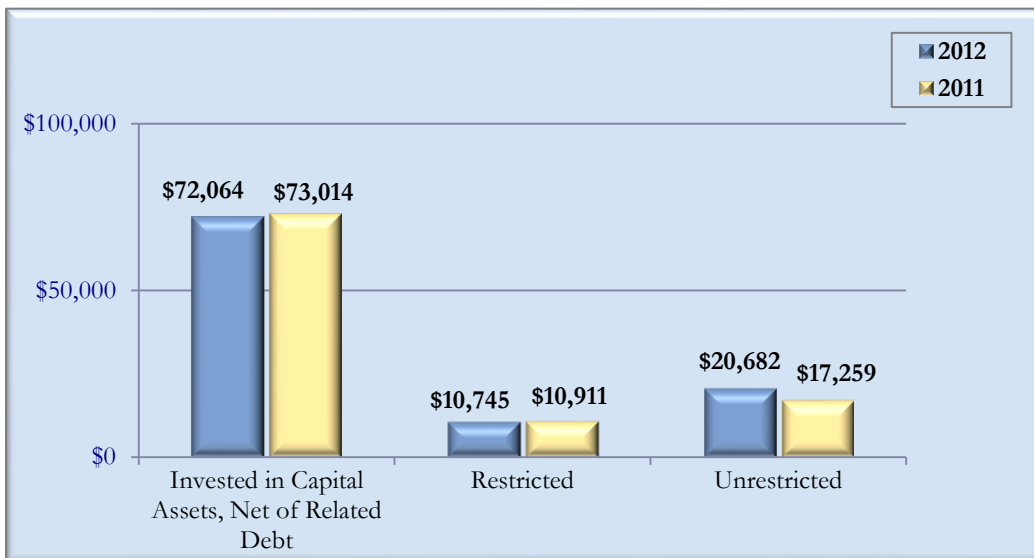
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$111.2 million at June 30, 2012. This balance reflects a \$1.2 million, or 1.1 percent, increase as compared to the 2010-11 fiscal year, resulting from strategic initiatives to contain spending and improve resource utilization. Liabilities decreased by \$1.1 million, or 12.6 percent, totaling \$7.7 million at June 30, 2012, as compared to \$8.9 million at June 30, 2011. As a result, the College’s net assets increased by \$2.3 million, resulting in a year-end balance of \$103.5 million.

The College’s operating revenues totaled \$26.4 million for the 2011-12 fiscal year, representing a 2.9 percent decrease as compared to the 2010-11 fiscal year due mainly to a decrease in grants and contracts. Operating expenses totaled \$73.2 million for the 2011-12 fiscal year, representing a decrease of 4.6 percent, as compared to the 2010-11 fiscal year due mainly to conservative budgeting and spending and improved resource utilization to offset the reduction in both enrollment and State funding.

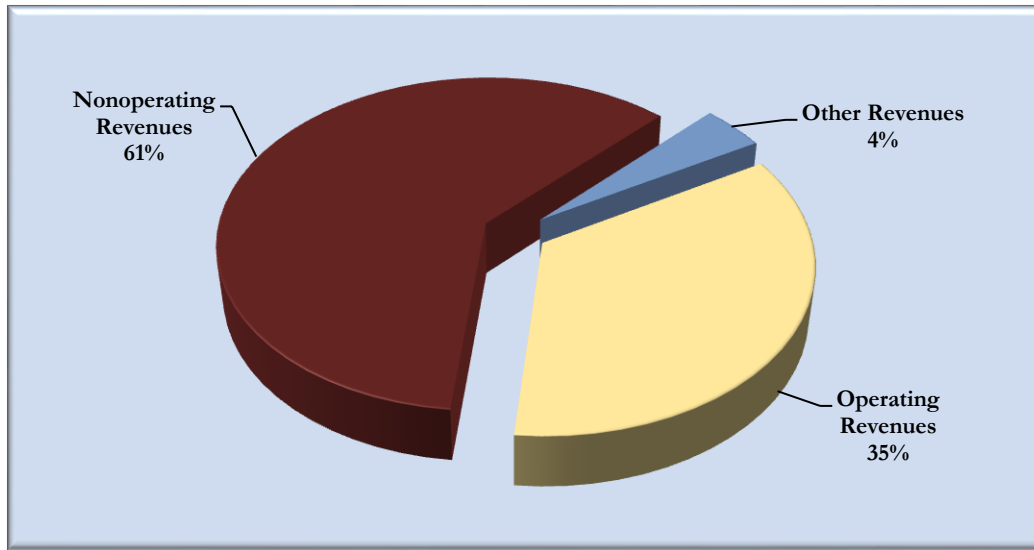
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**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:

- State College of Florida, Manatee-Sarasota (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- State College of Florida 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 State College of Florida, Manatee-Sarasota 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 State College of Florida, Manatee-Sarasota’s operating results.

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

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

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

	<b>Condensed Statement of Net Assets at (In Thousands)</b>			
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-12</u>	<u>6-30-11</u>	<u>9-30-11</u>	<u>9-30-10</u>
<b>Assets</b>				
Current Assets	\$ 33,773	\$ 32,654	\$ 4,863	\$ 7,019
Capital Assets, Net	72,888	74,018	3	5
Other Noncurrent Assets	<u>4,578</u>	<u>3,377</u>	<u>33,086</u>	<u>33,164</u>
<b>Total Assets</b>	<u>111,239</u>	<u>110,049</u>	<u>37,952</u>	<u>40,188</u>
<b>Liabilities</b>				
Current Liabilities	3,815	3,537	254	731
Noncurrent Liabilities	<u>3,933</u>	<u>5,328</u>		
<b>Total Liabilities</b>	<u>7,748</u>	<u>8,865</u>	<u>254</u>	<u>731</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	72,064	73,014	3	5
Restricted	10,745	10,911	32,995	34,379
Unrestricted	<u>20,682</u>	<u>17,259</u>	<u>4,700</u>	<u>5,073</u>
<b>Total Net Assets</b>	<u>\$ 103,491</u>	<u>\$ 101,184</u>	<u>\$ 37,698</u>	<u>\$ 39,457</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 2,307</u>	2.3%	<u>\$ (1,759)</u>	-4.5%

The College's net assets increased by \$2.3 million or 2.3 percent. This is mainly attributable to decreases in operating expenses.

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)**

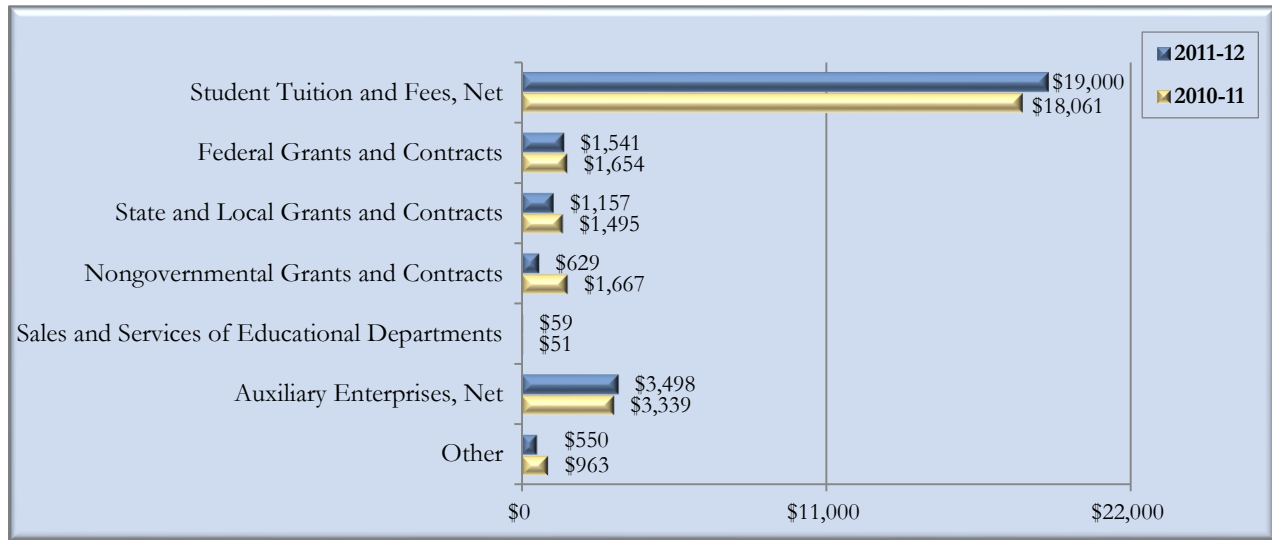
	College		Component Unit	
	6-30-12	6-30-11	9-30-11	9-30-10
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 19,000	\$ 18,061	\$	\$
Federal Grants and Contracts	1,541	1,654		
State and Local Grants and Contracts	1,157	1,495	57	30
Nongovernmental Grants and Contracts	629	1,667	1,946	2,164
Sales and Services of Educational Departments	59	51		
Auxiliary Enterprises, Net of Scholarship Allowances	3,498	3,339		
Other Operating Revenues	550	963	219	204
<b>Total Operating Revenues</b>	<b>26,434</b>	<b>27,230</b>	<b>2,222</b>	<b>2,398</b>
Less, Operating Expenses	73,245	76,808	3,178	4,029
<b>Operating Loss</b>	<b>(46,811)</b>	<b>(49,578)</b>	<b>(956)</b>	<b>(1,631)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	21,438	21,756		
Federal and State Student Financial Aid	24,042	27,338		
Other Nonoperating Revenues (Expenses)	393	(3,096)	(803)	3,100
<b>Net Nonoperating Revenues (Expenses)</b>	<b>45,873</b>	<b>45,998</b>	<b>(803)</b>	<b>3,100</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(938)	(3,580)	(1,759)	1,469
State Capital Appropriations	1,193	2,597		
Capital Grants, Contracts, Gifts, and Fees	2,052	2,018		
<b>Increase (Decrease) in Net Assets</b>	<b>2,307</b>	<b>1,035</b>	<b>(1,759)</b>	<b>1,469</b>
Net Assets, Beginning of Year	101,184	100,149	39,457	37,988
<b>Net Assets, End of Year</b>	<b>\$ 103,491</b>	<b>\$ 101,184</b>	<b>\$ 37,698</b>	<b>\$ 39,457</b>

### Operating Revenues

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

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

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



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

- Student tuition and fees, net of the scholarship allowances, increased by \$0.9 million, or 5.2 percent. This was due to an 8 percent tuition rate increase, which was partially offset by declining enrollment.
- Federal, State, and nongovernmental grants and contracts decreased by \$1.5 million, or 30.9 percent, as a direct result of economic conditions.

**Operating Expenses**

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

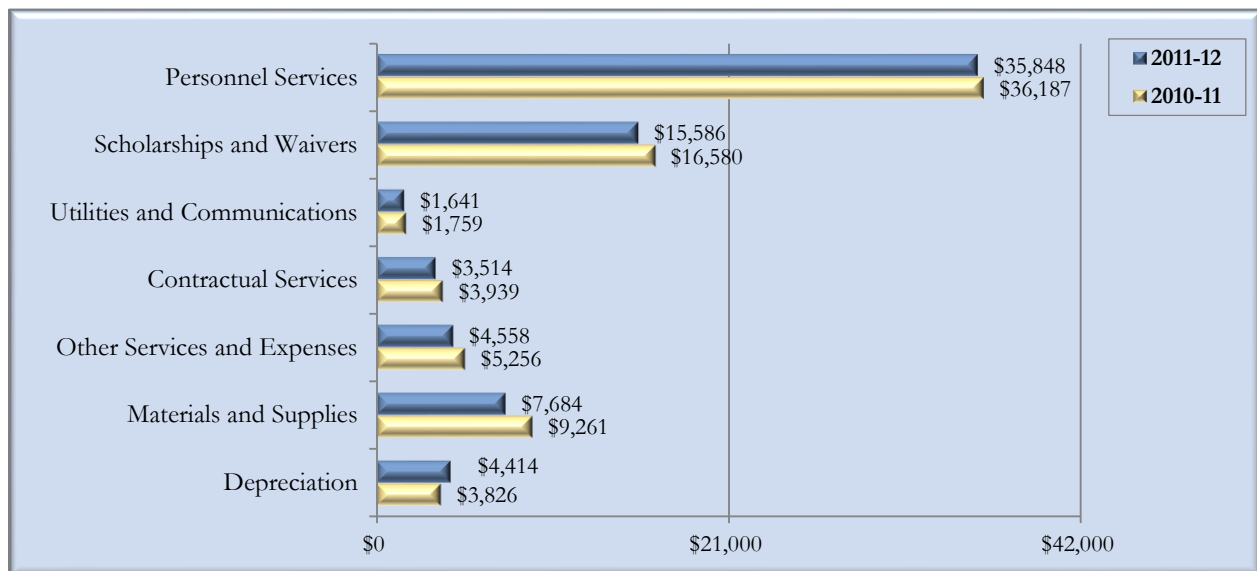
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

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

	College		Component Unit	
	6-30-12	6-30-11	9-30-11	9-30-10
<b>Operating Expenses</b>				
Personnel Services	\$ 35,848	\$ 36,187	\$ 547	\$ 547
Scholarships and Waivers	15,586	16,580	1,313	1,548
Utilities and Communications	1,641	1,759		
Contractual Services	3,514	3,939	91	75
Other Services and Expenses	4,558	5,256	1,198	1,829
Materials and Supplies	7,684	9,261	27	24
Depreciation	4,414	3,826	2	6
<b>Total Operating Expenses</b>	<b>\$ 73,245</b>	<b>\$ 76,808</b>	<b>\$ 3,178</b>	<b>\$ 4,029</b>

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 changes were the result of the following factors:

- Scholarships decreased by \$1 million or 6 percent, as a direct result of declining enrollment.
- Materials and supplies had the largest decrease in the operating expense category, decreasing by \$1.6 million, or 17 percent, due to reductions in both minor equipment and noncapitalized repairs and maintenance, as a result of initiatives to reduce spending and reduced Public Education Capital Outlay (PECO) appropriations for repairs and maintenance of facilities.

### Nonoperating Revenues and Expenses

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

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

	<u>2011-12</u>	<u>2010-11</u>
State Noncapital Appropriations	\$ 21,438	\$ 21,756
Federal and State Student Financial Aid	24,042	27,338
Investment Income	100	124
Other Nonoperating Revenues	354	17
Interest on Capital Asset-Related Debt	(38)	(45)
Other Nonoperating Expenses	<u>(23)</u>	<u>(3,192)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 45,873</u></b>	<b><u>\$ 45,998</u></b>

Overall, nonoperating revenues and expenses were relatively flat in the aggregate as compared to the previous fiscal year. Federal and State student financial aid decreased by \$3.3 million, primarily as a result of declining enrollment. This was offset by a reduction in nonoperating expenses of \$3.2 million due to a one-time \$3.2 million debt charged to expense in the 2010-11 fiscal year for the agreement with the United States Department of Education to repay outstanding Federal student financial aid monetary exceptions as the result of a final determination letter issued November 3, 2010.

### 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)

	<u>2011-12</u>	<u>2010-11</u>
State Capital Appropriations	\$ 1,193	\$ 2,597
Capital Grants, Contracts, Gifts, and Fees	<u>2,052</u>	<u>2,018</u>
<b>Total</b>	<b><u>\$ 3,245</u></b>	<b><u>\$ 4,615</u></b>

State capital appropriations decreased by \$1.4 million, or 54.1 percent, due to the reduction of PECO funding.

### 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	\$ (42,248)	\$ (47,941)
Noncapital Financing Activities	44,398	47,975
Capital and Related Financing Activities	988	(2,951)
Investing Activities	116	8,308
<b>Net Increase in Cash and Cash Equivalents</b>	3,254	5,391
Cash and Cash Equivalents, Beginning of Year	25,878	20,487
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 29,132</b>	<b>\$ 25,878</b>

Major sources of funds came from Federal and State student financial aid (\$24 million), Federal direct loan program receipts (\$22.6 million), State noncapital appropriations (\$21.4 million), and net student tuition and fees (\$19.4 million). Major uses of funds were for payments to employees (\$29.9 million), Federal direct student loan program disbursements (\$22.6 million), payments to suppliers (\$16 million), payments for scholarships (\$15.6 million), and payments for benefits (\$6 million).

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

- The \$5.7 million decrease in net cash used by operating activities can be primarily attributed to decreases in payments to suppliers (\$2.3 million), payments for benefits (\$1.5 million), and increases in tuition and fees (\$1.9 million), as a result of initiatives to reduce spending, a 3 percent reduction to Florida Retirement System employer contributions, and an 8 percent increase in tuition rates, respectively.
- The \$3.6 million decrease in cash flows from noncapital financing activities is primarily the result of decreases in Federal and State student financial aid of \$3.3 million as a result of declining enrollment.
- The \$3.9 million increase in cash flows from capital financing activities can be attributed to a decrease in construction projects and renovations of existing facilities.
- The \$8.2 million decrease in investing activities is the result of a decrease in the sales and maturities of investments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2012, the College had \$119.9 million in capital assets, less accumulated depreciation of \$47 million, for net capital assets of \$72.9 million. Depreciation charges for the current fiscal year totaled \$4.4 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>2012</u>	<u>2011</u>
Land	\$ 2,113	\$ 2,113
Artwork and Artifacts	40	29
Construction in Progress	3,200	6,354
Buildings	88,287	84,238
Other Structures and Improvements	16,887	16,593
Furniture, Machinery, and Equipment	7,517	6,638
Assets Under Capital Lease	<u>1,841</u>	<u>1,841</u>
<b>Total</b>	<u>119,885</u>	<u>117,806</u>
Less, Accumulated Depreciation:		
Buildings	27,453	26,594
Other Structures and Improvements	13,171	11,879
Furniture, Machinery, and Equipment	5,177	4,303
Assets Under Capital Lease	<u>1,196</u>	<u>1,012</u>
<b>Total Accumulated Depreciation</b>	<u>46,997</u>	<u>43,788</u>
<b>Capital Assets, Net</b>	<u>\$ 72,888</u>	<u>\$ 74,018</u>

The College has \$1 million in construction commitments at June 30, 2012. The commitments are for the Bradenton campus library and parking expansion and smaller renovation and remodeling projects for existing buildings and grounds. State appropriations together with local funds are expected to finance the construction and renovation projects. 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 \$1.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

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

	<u>2012</u>	<u>2011</u>
Note Payable	\$ 1,059	\$ 2,119
Capital Lease Payable	<u>824</u>	<u>1,004</u>
<b>Total</b>	<u>\$ 1,883</u>	<u>\$ 3,123</u>

The College had a balance of \$0.8 million on a capital lease for an energy management performance contract and a note payable of \$1.1 million to repay outstanding Federal student financial aid monetary exceptions as the result of a Federal determination letter issued November 3, 2010. Debt repayment during the 2011-12 fiscal year totaled \$1.2 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

State College of Florida, Manatee-Sarasota’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding was anticipated in the 2012-13 fiscal year. In response to a desire to keep a college education affordable for students, the Board of Trustees did not increase the per credit hour rates for the 2012-13 fiscal year, despite an anticipated decrease in State appropriations. The College has adjusted its current financial and capital plans to accommodate this decision in order to maintain its present level of services.

**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 Associate Vice President of Finance, State College of Florida, Manatee-Sarasota, 5840 26<sup>th</sup> Street West, Bradenton, Florida 34207.

**BASIC FINANCIAL STATEMENTS**

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2012**

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 22,148,211	\$ 2,307,777
Restricted Cash and Cash Equivalents	2,522,263	
Accounts Receivable, Net	1,638,945	300,671
Notes Receivable	411	
Due from Other Governmental Agencies	5,903,813	
Due from Component Unit	152,602	
Inventories	908,013	
Prepaid Expenses	498,739	12,503
Other Assets		2,242,349
<b>Total Current Assets</b>	<u>33,772,997</u>	<u>4,863,300</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,462,014	
Restricted Investments	116,184	33,085,322
Depreciable Capital Assets, Net	67,535,351	3,376
Nondepreciable Capital Assets	5,352,290	
<b>Total Noncurrent Assets</b>	<u>77,465,839</u>	<u>33,088,698</u>
<b>TOTAL ASSETS</b>	<u>\$ 111,238,836</u>	<u>\$ 37,951,998</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 751,431	\$ 98,378
Salary and Payroll Taxes Payable	1,351,694	
Retainage Payable	15,546	
Due to Other Governmental Agencies	4,274	
Due to College		47,692
Deferred Revenue	44,205	107,902
Deposits Held for Others	409,702	
Long-Term Liabilities - Current Portion:		
Note Payable	1,059,418	
Special Termination Benefits Payable	83,277	
Compensated Absences Payable	95,578	
<b>Total Current Liabilities</b>	<u>3,815,125</u>	<u>253,972</u>
Noncurrent Liabilities:		
Capital Lease Payable	823,942	
Special Termination Benefits Payable	138,626	
Compensated Absences Payable	2,701,783	
Other Postemployment Benefits Payable	268,791	
<b>Total Noncurrent Liabilities</b>	<u>3,933,142</u>	
<b>TOTAL LIABILITIES</b>	<u>7,748,267</u>	<u>253,972</u>

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**June 30, 2012**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 72,063,699	\$ 3,376
Restricted:		
Nonexpendable:		
Endowment		12,089,847
Expendable:		
Grants and Loans	2,298,904	8,342,698
Scholarships	310,977	12,562,077
Capital Projects	8,135,450	
Unrestricted	<u>20,681,539</u>	<u>4,700,028</u>
<b>Total Net Assets</b>	<u>103,490,569</u>	<u>37,698,026</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 111,238,836</u>	<u>\$ 37,951,998</u>

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA**  
**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**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$8,590,276	\$ 18,999,774	\$
Federal Grants and Contracts	1,541,267	
State and Local Grants and Contracts	1,156,903	57,131
Nongovernmental Grants and Contracts	628,863	1,945,945
Sales and Services of Educational Departments	58,764	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$1,549,048	3,498,317	
Other Operating Revenues	549,303	218,563
	<b>26,433,191</b>	<b>2,221,639</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	35,847,799	547,107
Scholarships and Waivers	15,585,617	1,313,228
Utilities and Communications	1,641,255	
Contractual Services	3,513,883	90,943
Other Services and Expenses	4,557,918	1,197,728
Materials and Supplies	7,684,059	27,311
Depreciation	4,414,252	1,541
	<b>73,244,783</b>	<b>3,177,858</b>
<b>Operating Loss</b>	<b>(46,811,592)</b>	<b>(956,219)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	21,437,541	
Federal and State Student Financial Aid	24,041,875	
Investment Income (Loss)	100,484	(827,441)
Other Nonoperating Revenues	354,005	24,451
Interest on Capital Asset-Related Debt	(38,462)	
Other Nonoperating Expenses	(22,669)	
	<b>45,872,774</b>	<b>(802,990)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(938,818)</b>	<b>(1,759,209)</b>
State Capital Appropriations	1,192,867	
Capital Grants, Contracts, Gifts, and Fees	2,052,265	
	<b>3,245,132</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>2,306,314</b>	<b>(1,759,209)</b>
Net Assets, Beginning of Year	101,184,255	39,457,235
<b>Net Assets, End of Year</b>	<b>\$ 103,490,569</b>	<b>\$ 37,698,026</b>

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 19,402,170
Grants and Contracts	3,000,077
Payments to Suppliers	(16,018,590)
Payments for Utilities and Communications	(1,574,696)
Payments to Employees	(29,860,648)
Payments for Employee Benefits	(6,021,333)
Payments for Scholarships	(15,585,617)
Collection on Loans to Students	267
Auxiliary Enterprises, Net	3,418,527
Sales and Service of Educational Departments	58,764
Other Receipts	933,091
	<b>(42,247,988)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	21,437,541
Federal and State Student Financial Aid	24,041,875
Federal Direct Loan Program Receipts	22,552,594
Federal Direct Loan Program Disbursements	(22,552,594)
Other Nonoperating Disbursements	(1,081,612)
	<b>44,397,804</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	2,346,427
Capital Grants and Gifts	2,052,265
Purchases of Capital Assets	(3,191,785)
Principal Paid on Capital Lease	(180,238)
Interest Paid on Capital Lease	(38,462)
	<b>988,207</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	15,991
Investment Income	100,484
	<b>116,475</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,254,498</b>
Cash and Cash Equivalents, Beginning of Year	25,877,990
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 29,132,488</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (46,811,592)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	4,414,252
Changes in Assets and Liabilities:	
Receivables, Net	23,329
Inventories	(215,816)
Prepaid Expenses	(43,381)
Accounts Payable	658,749
Deferred Revenue	(27,679)
Deposits Held for Others	(58,370)
Special Termination Benefits Payable	(41,634)
Compensated Absences Payable	(192,490)
Other Postemployment Benefits Payable	46,644
	<u>46,644</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (42,247,988)</u></u>

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA**  
**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 State College of Florida, Manatee-Sarasota, 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 Manatee and Sarasota 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 State College of Florida 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 September 30, 2011, on file in the College's administrative office.

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

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

- 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 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.

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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 computes its scholarship allowances by determining through its accounting records, the cash payments to students. 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 revenues.

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, a money market account, 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 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 purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2012, the College reported as cash equivalents \$17,278,251 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.

**Capital Assets.** College capital assets consist of land; artwork and artifacts; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease. 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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

\$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 Lease – 10 years

**Noncurrent Liabilities.** Noncurrent liabilities include a note payable, capital lease payable, special termination benefits 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 had not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to purchase or construct capital assets are classified as restricted.

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

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

At June 30, 2012, the College reported investments at fair value of \$116,184 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 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 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, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Component Unit Investments**

As of September 30, 2011, investments held by the College’s Foundation are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Government Obligations	\$ 896,085
Federal Agency Obligations	385,149
Bonds and Notes	823,127
Stock and Other Equity Securities	1,702,187
Hedge Funds	1,778,258
Mutual Funds	<u>27,500,516</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 33,085,322</u></b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$549,800 allowance for doubtful accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount includes \$3,618,359 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,285,454 of grant reimbursements and third-party obligations for student fee registrations.

**5. DUE FROM AND TO COMPONENT UNIT/COLLEGE**

The \$152,602 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College’s financial statements are reported for the fiscal year ended June 30, 2012. The College’s component unit’s financial statements are reported for the fiscal year ended September 30, 2011. Accordingly, the amount reported by the College as due from component unit on the statement of net assets does not agree with the amount reported by the component unit as due to the College.

**6. INVENTORIES**

Inventories consist of items for resale by the campus bookstore and office supplies maintained in central stores, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. 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.

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**7. CAPITAL ASSETS**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,112,647	\$	\$	\$ 2,112,647
Artwork and Artifacts	29,346	10,315		39,661
Construction in Progress	6,354,235	2,317,925	5,472,178	3,199,982
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 8,496,228</b>	<b>\$ 2,328,240</b>	<b>\$ 5,472,178</b>	<b>\$ 5,352,290</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 84,237,827	\$ 5,178,454	\$ 1,128,942	\$ 88,287,339
Other Structures and Improvements	16,593,230	293,723		16,886,953
Furniture, Machinery, and Equipment	6,638,336	955,778	76,450	7,517,664
Assets Under Capital Lease	1,840,630			1,840,630
<b>Total Depreciable Capital Assets</b>	<b>109,310,023</b>	<b>6,427,955</b>	<b>1,205,392</b>	<b>114,532,586</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	26,594,429	1,987,191	1,128,942	27,452,678
Other Structures and Improvements	11,879,101	1,292,019		13,171,120
Furniture, Machinery, and Equipment	4,302,498	950,979	76,450	5,177,027
Assets Under Capital Lease	1,012,347	184,063		1,196,410
<b>Total Accumulated Depreciation</b>	<b>43,788,375</b>	<b>4,414,252</b>	<b>1,205,392</b>	<b>46,997,235</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 65,521,648</b>	<b>\$ 2,013,703</b>	<b>\$</b>	<b>\$ 67,535,351</b>

**8. DEFERRED REVENUE**

Deferred revenue in the amount of \$44,205 includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

**9. LONG-TERM LIABILITIES**

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable	\$ 2,118,835	\$	\$ 1,059,417	\$ 1,059,418	\$ 1,059,418
Capital Lease Payable	1,004,180		180,238	823,942	
Special Termination Benefits Payable	263,537	71,624	113,258	221,903	83,277
Compensated Absences Payable	2,989,851	115,015	307,505	2,797,361	95,578
Other Postemployment Benefits Payable	222,147	136,507	89,863	268,791	
<b>Total Long-Term Liabilities</b>	<b>\$ 6,598,550</b>	<b>\$ 323,146</b>	<b>\$ 1,750,281</b>	<b>\$ 5,171,415</b>	<b>\$ 1,238,273</b>

**Note Payable.** On February 14, 2011, the College entered into an agreement with the United States Department of Education in the amount of \$3,178,253, at a stated interest rate of one percent, to repay a debt arising from outstanding Federal student financial aid monetary exceptions as a result of a Federal final audit determination letter issued November 3, 2010. The note matures on June 30, 2013, with the final payment of \$1,059,418 (principal) and \$10,647 (interest).

**Capital Lease Payable.** Equipment consisting of air conditioning, electrical, and other energy management improvement items at various campuses, in the amount of \$1,840,630 is being acquired under a capital lease agreement. The stated interest rate is 4.1 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013 (1)	\$
2014	229,000
2015	239,400
2016	251,000
2017	173,779
<b>Total Minimum Payments</b>	<b>893,179</b>
Less, Amount Representing Interest	69,237
<b>Present Value of Minimum Payments</b>	<b>\$ 823,942</b>

Note: (1) Paid in the 2011-12 fiscal year.

**Special Termination Benefits Payable.** On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for \$5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years.) The College recognized a Retirement Incentive Program payable of \$2,601 as of June 30, 2012, for 8 participants who gave notice to retire under the Retirement Incentive program. This program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

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On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for \$5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of \$5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of \$219,302 at June 30, 2012, for 25 employees who gave notice to retire under the Retirement Enhancement Program.

**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 \$2,797,361. The current portion of the compensated absences liability, \$95,578, is estimated as the sum of the average compensated absences paid upon termination for the prior 13 years, and represents payments for employees in the final year of the Deferred Retirement Option Program.

**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 health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* 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

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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, 54 retirees received postemployment healthcare benefits and 71 retirees received postemployment life insurance benefits. The College provided required contributions of \$89,863 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$167,101.

*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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 90,598
Amortization of Unfunded Actuarial Accrued Liability	<u>44,428</u>
<b>Annual Required Contribution</b>	135,026
Interest on Net OPEB Obligation	8,886
Adjustment to Annual Required Contribution	<u>(7,405)</u>
<b>Annual OPEB Cost (Expense)</b>	136,507
Contribution Toward the OPEB Cost	<u>(89,863)</u>
<b>Increase in Net OPEB Obligation</b>	46,644
Net OPEB Obligation, Beginning of Year	<u>222,147</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 268,791</u></u>

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 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 200,603	84.8%	\$ 173,818
2010-11	200,471	75.9%	222,147
2011-12	136,507	65.8%	268,791

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$1,332,841 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,332,841 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating

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employees) was \$20,555,206 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.5 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. 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 for pre-Medicare and 6 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2012, was 25 years.

## **10. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to 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

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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:

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

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contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$1,366,662, \$1,660,579, and \$1,163,077, respectively, which were equal to the required contributions for each fiscal year.

There were 134 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$425,723, 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.

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 37 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled \$207,999 and employee contributions totaled \$79,409 for the 2011-12 fiscal year.

**Senior Management Service Class Local Annuity Program.** Section 121.055, Florida Statutes, and Florida Retirement Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS and participate in a local annuity program. Pursuant thereto, the College, during the 2000-01 fiscal year, established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. Under the Local Annuity Program, the College contributes 12.49 percent of the participant's salary to the Local Annuity Program. The contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement. As of June 30, 2012, three College employees opted to participate in the Local Annuity

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Program. Contributions made by the College to the Local Annuity Program totaled \$53,020 during the 2011-12 fiscal year.

**11. CONSTRUCTION COMMITMENTS**

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Major Projects:			
Library/Parking Bradenton:			
Architect	\$ 1,142,890	\$ 232,385	\$ 910,505
Construction	<u>2,187,292</u>	<u>2,180,130</u>	<u>7,162</u>
<b>Subtotal</b>	3,330,182	2,412,515	917,667
Other Projects (1)	<u>837,216</u>	<u>787,467</u>	<u>49,749</u>
<b>Total</b>	<u>\$ 4,167,398</u>	<u>\$ 3,199,982</u>	<u>\$ 967,416</u>

Note: (1) Individual projects with a current balance committed of less than \$1 million at June 30, 2012.

**12. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million 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.

**13. 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

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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	\$ 21,553,851
Academic Support	2,982,063
Student Services	5,603,474
Institutional Support	11,570,551
Operation and Maintenance of Plant	6,776,529
Scholarships and Waivers	15,899,201
Depreciation	4,414,252
Auxiliary Enterprises	<u>4,444,862</u>
<b>Total Operating Expenses</b>	<b><u><u>\$ 73,244,783</u></u></b>

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
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	\$	\$ 1,793,567	\$ 1,793,567	0%	\$ 21,995,339	8.2%
7/1/2009		1,938,902	1,938,902	0%	24,962,876	7.8%
7/1/2011		1,332,841	1,332,841	0%	20,555,206	6.5%

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
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 \$1,332,841 was significantly lower than the July 1, 2009, liability of \$1,938,902 as a result of several changes in the assumptions used to calculate the new liability.

- 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 assumed rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The assumed 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 State College of Florida, Manatee-Sarasota, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2013-064.

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  
March 20, 2013