

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

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**Financial Audit**

For the Fiscal Year Ended  
June 30, 2013



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and Presidents who served during the 2012-13 fiscal year are listed below:

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Edward A. Bailey	Manatee
Marlen J. Hager from 2-26-13 (1)	Manatee
Joseph C. Miller, Jr. to 10-30-12 (1)	Manatee
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Lori A. Moran	Sarasota
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Eric Robinson from 10-22-12 (2)	Sarasota
Jennifer M. Saslaw to 10-30-12 (3)	Sarasota

Dr. Lars Hafner, President to 10-30-12 (4)  
Dr. Carol Probstfeld, Interim President from 11-27-12,  
President from 1-22-13

- Notes: (1) Board member resigned on October 30, 2012, and position remained vacant through February 25, 2013.
- (2) Position remained vacant from June 1, 2012, through October 21, 2012.
- (3) Board member resigned on October 30, 2012, and position remained vacant through June 30, 2013.
- (4) President resigned on October 30, 2012, and position remained vacant through November 26, 2012.

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 Manuel R. Martin, 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) 412-2869.

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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, 2013. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL

## STATE OF FLORIDA

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111 West Madison Street  
Tallahassee, Florida 32399-1450



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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

#### Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

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.

### ***Other Reporting Required by Government Auditing Standards***

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* in considering State College of Florida, Manatee-Sarasota's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 10, 2014

**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, 2013, 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, 2013, and June 30, 2012, and its component unit, State College of Florida Foundation, Inc., for the fiscal years ended September 30, 2012, and September 30, 2011.

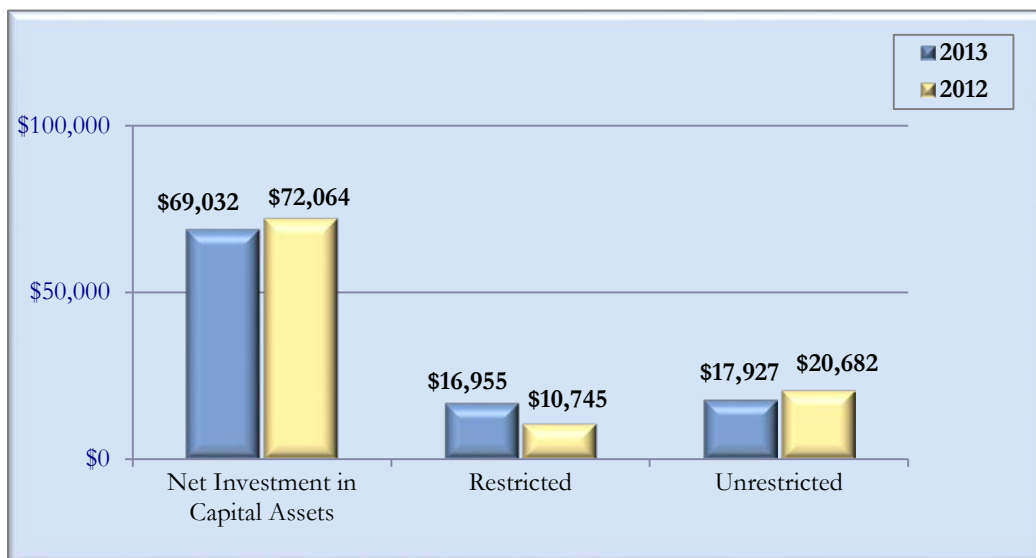
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$110.6 million at June 30, 2013. This balance reflects a \$0.6 million, or 0.5 percent, decrease as compared to the 2011-12 fiscal year due to a reduction in enrollment. Liabilities decreased by \$1 million, or 13.2 percent, totaling \$6.7 million at June 30, 2013, compared to \$7.7 million at June 30, 2012. As a result, the College’s net position increased by \$0.4 million, resulting in a year-end balance of \$103.9 million.

The College’s operating revenues totaled \$26.6 million for the 2012-13 fiscal year, representing a 0.6 percent increase as compared to the 2011-12 fiscal year due mainly to an increase in State and local grants and contracts. Operating expenses totaled \$72.6 million for the 2012-13 fiscal year, representing a decrease of 0.8 percent as compared to the 2011-12 fiscal year due mainly to conservative budgeting and spending and improved resource utilization to offset the decline in enrollment.

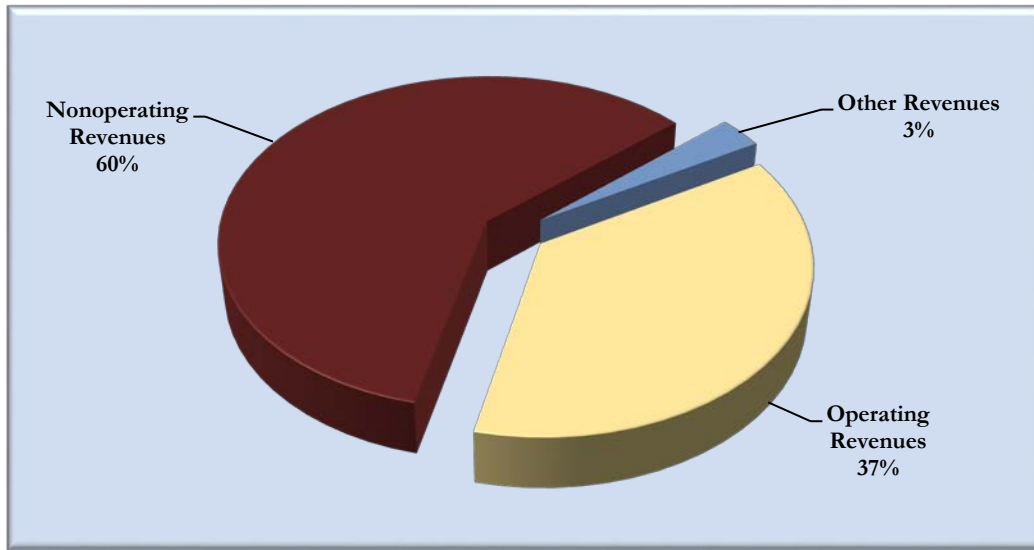
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2012-13 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 position; the statement of revenues, expenses, and changes in net position; 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 POSITION**

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets less liabilities equals net position, which is one indicator of the College’s current financial condition. The changes in net position that occurs over time indicate improvement or deterioration in the College’s financial condition.

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

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

	College		Component Unit	
	6-30-13	6-30-12	9-30-12	9-30-11
<b>Assets</b>				
Current Assets	\$ 29,876	\$ 33,773	\$ 4,632	\$ 4,863
Capital Assets, Net	69,658	72,888	2	3
Other Noncurrent Assets	11,109	4,578	38,538	33,086
<b>Total Assets</b>	<b>110,643</b>	<b>111,239</b>	<b>43,172</b>	<b>37,952</b>
<b>Liabilities</b>				
Current Liabilities	2,840	3,815	246	254
Noncurrent Liabilities	3,889	3,933		
<b>Total Liabilities</b>	<b>6,729</b>	<b>7,748</b>	<b>246</b>	<b>254</b>
<b>Net Position</b>				
Net Investment in Capital Assets	69,032	72,064	2	3
Restricted	16,955	10,745	36,984	32,995
Unrestricted	17,927	20,682	5,940	4,700
<b>Total Net Position</b>	<b>\$ 103,914</b>	<b>\$ 103,491</b>	<b>\$ 42,926</b>	<b>\$ 37,698</b>

The College's net assets increased by \$0.4 million, or 0.4 percent. This is mainly attributable to decreases in operating expenses.

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-13	06-30-12	9-30-12	9-30-11
Operating Revenues	\$ 26,599	\$ 26,434	\$ 2,309	\$ 2,222
Less, Operating Expenses	72,649	73,245	3,185	3,178
<b>Operating Loss</b>	<b>(46,050)</b>	<b>(46,811)</b>	<b>(876)</b>	<b>(956)</b>
Net Nonoperating Revenues (Expenses)	44,056	45,873	6,104	(803)
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(1,994)</b>	<b>(938)</b>	<b>5,228</b>	<b>(1,759)</b>
Other Revenues	2,417	3,245		
<b>Net Increase (Decrease) in Net Position</b>	<b>423</b>	<b>2,307</b>	<b>5,228</b>	<b>(1,759)</b>
Net Position, Beginning of Year	103,491	101,184	37,698	39,457
<b>Net Position, End of Year</b>	<b>\$ 103,914</b>	<b>\$ 103,491</b>	<b>\$ 42,926</b>	<b>\$ 37,698</b>

**Operating Revenues**

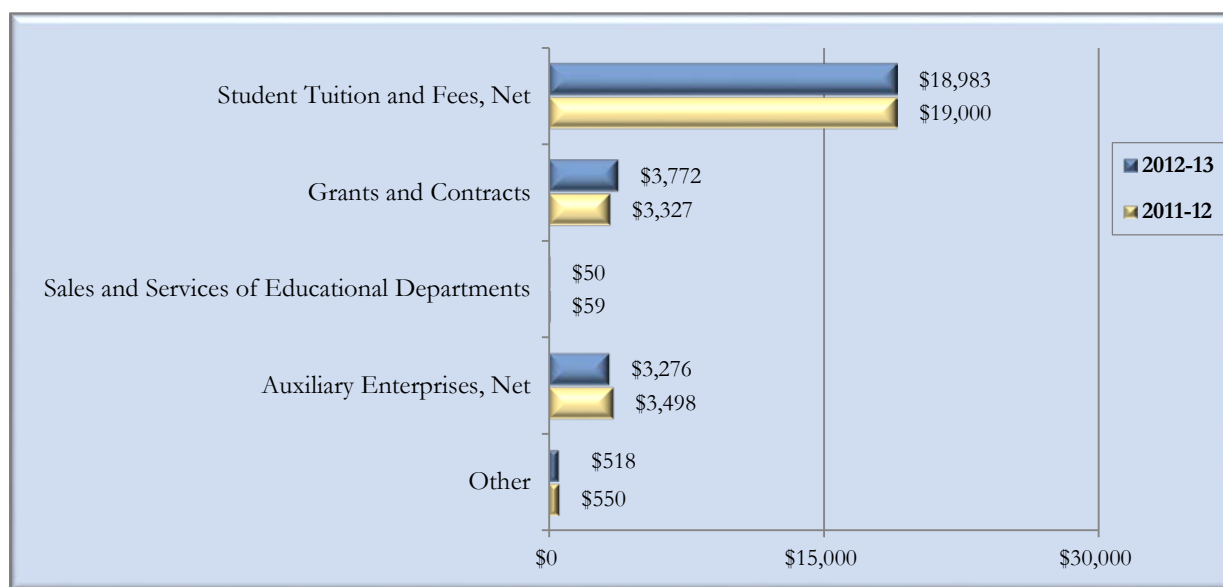
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

	College		Component Unit	
	6-30-13	6-30-12	9-30-12	9-30-11
	Student Tuition and Fees, Net	\$ 18,983	\$ 19,000	\$
Grants and Contracts	3,772	3,327	1,884	2,003
Sales and Services of Educational Departments	50	59		
Auxiliary Enterprises (Net)	3,276	3,498		
Other	518	550	425	219
<b>Total Operating Revenues</b>	<b>\$ 26,599</b>	<b>\$ 26,434</b>	<b>\$ 2,309</b>	<b>\$ 2,222</b>

The following chart presents the College’s operating revenues for the 2012-13 and 2011-12 fiscal years:

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



Overall, the operating revenues increased by \$0.2 million, or 0.6 percent. College operating revenue changes were the result of the following factors:

- Grants and Contracts increased by \$0.4 million, or 13.4 percent, primarily as a result of increased funding for State College of Florida Collegiate School (charter school) due to increased enrollment.
- Bookstore sales of books and supplies (auxiliary enterprises) decreased by \$0.2 million, or 6.3 percent, as a direct result of the decline in enrollment.

**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 position and has displayed the functional classification in the notes to financial statements.

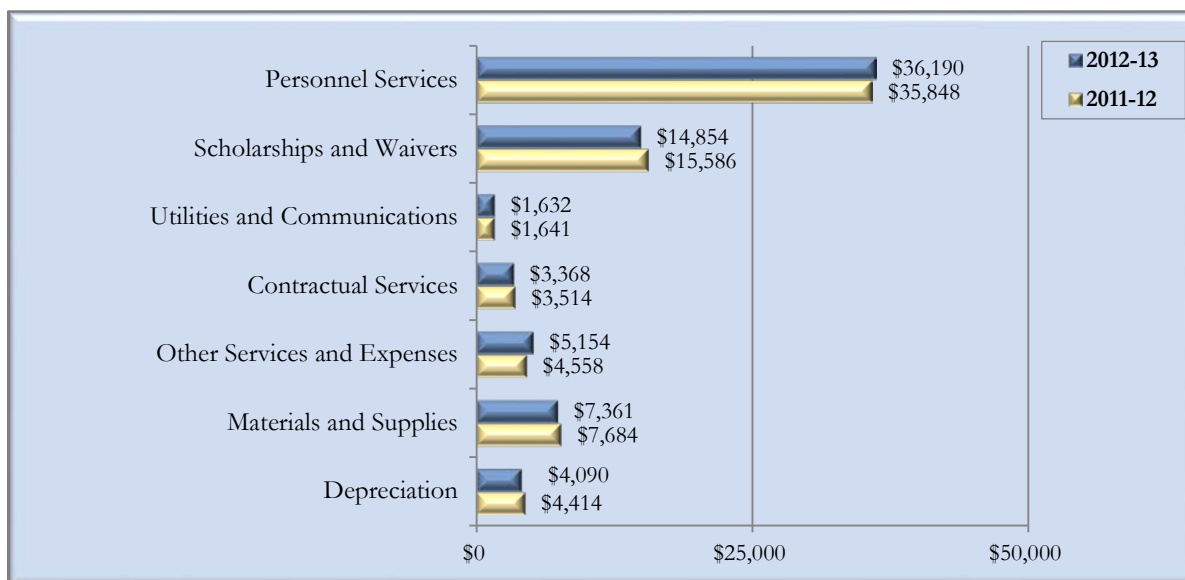
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-13	6-30-12	9-30-12	9-30-11
Personnel Services	\$ 36,190	\$ 35,848	\$ 480	\$ 547
Scholarships and Waivers	14,854	15,586	1,318	1,313
Utilities and Communications	1,632	1,641		
Contractual Services	3,368	3,514	76	91
Other Services and Expenses	5,154	4,558	1,288	1,198
Materials and Supplies	7,361	7,684	22	27
Depreciation	4,090	4,414	1	2
<b>Total Operating Expenses</b>	<b>\$ 72,649</b>	<b>\$ 73,245</b>	<b>\$ 3,185</b>	<b>\$ 3,178</b>

The following chart presents the College’s operating expenses for the 2012-13 and 2011-12 fiscal years:

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



College operating expense changes were primarily the result of a decrease of \$0.7 million, or 4.7 percent, in scholarships and waivers resulting from a decline in enrollment, and other smaller decreases in materials and supplies, and depreciation offset by small increases in other services and expenses and personnel services.

**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 2012-13 and 2011-12 fiscal years:

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

	<u>2012-13</u>	<u>2011-12</u>
State Noncapital Appropriations	\$21,421	\$21,438
Federal and State Student Financial Aid	22,478	24,042
Investment Income	112	100
Other Nonoperating Revenues	103	354
Loss on Disposal of Capital Assets	(15)	
Interest on Capital Asset-Related Debt	(31)	(38)
Other Nonoperating Expenses	<u>(12)</u>	<u>(23)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$44,056</u></b>	<b><u>\$45,873</u></b>

Overall, nonoperating revenues decreased by \$1.8 million, or 4 percent, primarily due to the reduction in Federal and State student financial aid, which decreased by \$1.6 million, or 6.5 percent. This reduction directly correlates with the decline in enrollment.

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

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

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

	<u>2012-13</u>	<u>2011-12</u>
State Capital Appropriations	\$ 525	\$ 1,193
Capital Grants, Contracts, Gifts, and Fees	<u>1,892</u>	<u>2,052</u>
<b>Total</b>	<b><u>\$ 2,417</u></b>	<b><u>\$ 3,245</u></b>

State capital appropriations decreased by \$0.7 million, or 56 percent, over the previous year primarily due to the reduction of Public Education Capital Outlay funding.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the College’s financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College’s ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

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.

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
Cash Provided (Used) by:		
Operating Activities	\$(40,409)	\$(42,248)
Noncapital Financing Activities	42,826	44,398
Capital and Related Financing Activities	2,000	988
Investing Activities	155	116
<b>Net Increase in Cash and Cash Equivalents</b>	4,572	3,254
Cash and Cash Equivalents, Beginning of Year	29,132	25,878
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 33,704</b>	<b>\$ 29,132</b>

Major sources of funds came from Federal and State student financial aid (\$22.5 million), State noncapital appropriations (\$21.4 million), net student tuition and fees (\$19.3 million), and Federal Direct Loan program receipts (\$19.1 million). Major uses of funds were for payments to employees (\$29.3 million), Federal Direct Loan program disbursements (\$19.1 million), payments to suppliers (\$15.9 million), payments for scholarships (\$14.9 million), and payments for employee benefits (\$6.7 million).

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

- The \$1.8 million decrease in net cash used by operating activities can be primarily attributed to increases in grants and contracts (\$1.8 million) for the State College of Florida Collegiate School due to increased enrollment and increased collections of receivables for grants and contracts.
- The \$1.6 million decrease in net cash provided from noncapital financing activities is primarily the result of decreases in Federal and State student financial aid of \$1.6 million due to declining enrollment.
- The \$1 million increase in cash flows from capital financing activities can be attributed to a decrease in construction projects and renovations of existing facilities.
- Cash flows from investing activities remained fairly stable for the fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2013, the College had \$120.7 million in capital assets, less accumulated depreciation of \$51 million, for net capital assets of \$69.7 million. Depreciation charges for the current fiscal year totaled \$4.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,113	\$ 2,113
Artwork and Artifacts	40	40
Construction in Progress	756	3,200
Buildings	58,967	60,834
Other Structures and Improvements	5,305	3,716
Furniture, Machinery, and Equipment	2,017	2,340
Assets Under Capital Lease	460	645
<b>Capital Assets, Net</b>	<b><u>\$69,658</u></b>	<b><u>\$72,888</u></b>

**CAPITAL EXPENSES AND COMMITMENTS**

The College had \$1.1 million in construction commitments at June 30, 2013. The commitments are for small renovation and remodeling projects on the Bradenton and Venice campuses. In addition, the College is in the planning stages for a new classroom building on its Bradenton campus. State appropriations together with local funds are expected to finance these projects. The College's capital commitments at June 30, 2013, are as follows:

	<u>Amount (In Thousands)</u>
Total Committed	\$ 1,088
Completed to Date	<u>(756)</u>
<b>Balance Committed</b>	<b><u>\$ 332</u></b>

Additional information about the College's capital commitments is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2013, the College had \$0.6 million in long-term capital lease debt outstanding, representing a decrease of \$1.3 million, or 66.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2013, and June 30, 2012:

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

	<u>2013</u>	<u>2012</u>
Note Payable	\$	\$ 1,059
Capital Lease Payable	<u>626</u>	<u>824</u>
<b>Total</b>	<b><u>\$ 626</u></b>	<b><u>\$ 1,883</u></b>

The capital lease represents an energy management performance contract. Debt repayments during the 2012-13 fiscal year totaled \$1.3 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**

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2013-14 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 2013-14 fiscal year. The College has adjusted its 2013-14 fiscal year 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 Vice President of Business and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th 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 POSITION  
June 30, 2013**

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,758,369	\$ 1,777,513
Restricted Cash and Cash Equivalents	3,910,804	
Accounts Receivable, Net	1,348,139	332,321
Due from Other Governmental Agencies	4,314,103	
Due from Component Unit	94,089	
Inventories	938,927	
Prepaid Expenses	511,676	18,994
Other Assets		2,503,160
<b>Total Current Assets</b>	<b>29,876,107</b>	<b>4,631,988</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,035,095	
Investments	74,051	
Restricted Investments		38,538,027
Depreciable Capital Assets, Net	66,749,674	2,140
Nondepreciable Capital Assets	2,908,257	
<b>Total Noncurrent Assets</b>	<b>80,767,077</b>	<b>38,540,167</b>
<b>TOTAL ASSETS</b>	<b>110,643,184</b>	<b>43,172,155</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	772,565	76,933
Salary and Payroll Taxes Payable	1,376,140	
Retainage Payable	15,546	
Due to Other Governmental Agencies	5,173	
Due to College		69,112
Unearned Revenue	41,280	99,863
Deposits Held for Others	428,829	
Long-Term Liabilities - Current Portion:		
Special Termination Benefits Payable	112,483	
Compensated Absences Payable	88,131	
<b>Total Current Liabilities</b>	<b>2,840,147</b>	<b>245,908</b>
Noncurrent Liabilities:		
Capital Lease Payable	625,742	
Special Termination Benefits Payable	246,767	
Compensated Absences Payable	2,697,293	
Other Postemployment Benefits Payable	319,436	
<b>Total Noncurrent Liabilities</b>	<b>3,889,238</b>	
<b>TOTAL LIABILITIES</b>	<b>6,729,385</b>	<b>245,908</b>

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
 A COMPONENT UNIT OF THE STATE OF FLORIDA  
 STATEMENT OF NET POSITION (CONTINUED)  
 June 30, 2013

	College	Component Unit
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 69,032,189	\$ 2,140
Restricted:		
Nonexpendable:		
Endowment		11,913,595
Expendable:		
Grants and Loans	2,535,573	10,021,511
Scholarships	292,301	15,048,563
Capital Projects	14,127,373	
Unrestricted	17,926,363	5,940,438
<b>TOTAL NET POSITION</b>	<b>\$ 103,913,799</b>	<b>\$ 42,926,247</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2013**

	College	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$7,274,072	\$ 18,982,755	\$
Federal Grants and Contracts	1,266,393	
State and Local Grants and Contracts	1,842,829	51,100
Nongovernmental Grants and Contracts	663,281	1,833,193
Sales and Services of Educational Departments	49,837	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,500,138	3,275,844	
Other Operating Revenues	518,179	425,447
<b>Total Operating Revenues</b>	<b>26,599,118</b>	<b>2,309,740</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	36,189,974	479,794
Scholarships and Waivers	14,854,426	1,318,441
Utilities and Communications	1,631,782	
Contractual Services	3,368,033	76,116
Other Services and Expenses	5,154,037	1,287,522
Materials and Supplies	7,360,715	22,186
Depreciation	4,089,825	1,236
<b>Total Operating Expenses</b>	<b>72,648,792</b>	<b>3,185,295</b>
<b>Operating Loss</b>	<b>(46,049,674)</b>	<b>(875,555)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	21,420,707	
Federal and State Student Financial Aid	22,477,621	
Investment Income	112,429	6,079,909
Other Nonoperating Revenues	102,799	23,867
Loss on Disposal of Capital Assets	(14,492)	
Interest on Capital Asset-Related Debt	(30,800)	
Other Nonoperating Expenses	(12,438)	
<b>Net Nonoperating Revenues</b>	<b>44,055,826</b>	<b>6,103,776</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(1,993,848)</b>	<b>5,228,221</b>
State Capital Appropriations	524,734	
Capital Grants, Contracts, Gifts, and Fees	1,892,344	
<b>Total Other Revenues</b>	<b>2,417,078</b>	
<b>Increase in Net Position</b>	<b>423,230</b>	<b>5,228,221</b>
Net Position, Beginning of Year	103,490,569	37,698,026
<b>Net Position, End of Year</b>	<b>\$ 103,913,799</b>	<b>\$ 42,926,247</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, 2013**

	<u>College</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 19,256,266
Grants and Contracts	4,828,529
Payments to Suppliers	(15,980,676)
Payments for Utilities and Communications	(1,631,782)
Payments to Employees	(29,335,784)
Payments for Employee Benefits	(6,653,689)
Payments for Scholarships	(14,854,426)
Collection on Loans to Students	411
Auxiliary Enterprises, Net	3,298,550
Sales and Service of Educational Departments	49,837
Other Receipts	613,855
	<u>(40,408,909)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	21,420,707
Federal and State Student Financial Aid	22,477,621
Federal Direct Loan Program Receipts	19,075,334
Federal Direct Loan Program Disbursements	(19,075,334)
Other Nonoperating Disbursements	(1,072,331)
	<u>42,825,997</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	1,108,593
Capital Grants and Gifts	1,892,344
Purchases of Capital Assets	(771,807)
Principal Paid on Capital Lease	(198,200)
Interest Paid on Capital Lease	(30,800)
	<u>2,000,130</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	72,966
Investment Income	81,596
	<u>154,562</u>
<b>Net Increase in Cash and Cash Equivalents</b>	4,571,780
Cash and Cash Equivalents, Beginning of Year	29,132,488
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 33,704,268</u>

**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, 2013**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (46,049,674)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,089,825
Changes in Assets and Liabilities:	
Receivables, Net	1,355,169
Inventories	(30,914)
Prepaid Expenses	(12,937)
Accounts Payable	47,365
Unearned Revenue	(2,925)
Deposits Held for Others	19,127
Special Termination Benefits Payable	137,347
Compensated Absences Payable	(11,937)
Other Postemployment Benefits Payable	50,645
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (40,408,909)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 30,833
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (14,492)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 102,799

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, 2013**

**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. 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), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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, 2012, on file in the College's office of business administration.

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.

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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 follows GASB standards of accounting and financial reporting.

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.

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 position 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 position 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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

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 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, 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 State Board of Administration (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, 2013, the College reported as cash equivalents \$21,263,874 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, 2013, 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 40 days as of June 30, 2013. 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 \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

- 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 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.

### **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, 2013, the College reported investments at fair value of \$74,051 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 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, 2013. 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, 2013**

**Component Unit Investments**

As of September 30, 2012, 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	\$ 908,991
Federal Agency Obligations	419,655
Bonds and Notes	965,971
Stocks and Other Equity Securities	2,334,375
Hedge Funds	5,576,203
Mutual Funds	<u>28,332,832</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 38,538,027</u></b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferrals, various student services provided by the College, and unused credit memos. These receivables are reported net of a \$549,800 allowance for doubtful accounts.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount consists of \$3,034,499 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$1,279,604 of grant reimbursements and third-party obligations for student fee registrations.

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

The \$94,089 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, 2013. The College's component unit's financial statements are reported for the fiscal year ended September 30, 2012. Accordingly, the amount reported by the College as due from component unit on the statement of net position 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.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,112,647	\$	\$	\$ 2,112,647
Artwork and Artifacts	39,661			39,661
Construction in Progress	3,199,982	460,022	2,904,055	755,949
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 5,352,290</b>	<b>\$ 460,022</b>	<b>\$ 2,904,055</b>	<b>\$ 2,908,257</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 88,287,339	\$ 129,910	\$	\$ 88,417,249
Other Structures and Improvements	16,886,953	2,774,145		19,661,098
Furniture, Machinery, and Equipment	7,517,664	416,085	58,300	7,875,449
Assets Under Capital Lease	1,840,630			1,840,630
<b>Total Depreciable Capital Assets</b>	<b>114,532,586</b>	<b>3,320,140</b>	<b>58,300</b>	<b>117,794,426</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	27,452,678	1,998,028		29,450,706
Other Structures and Improvements	13,171,120	1,184,726		14,355,846
Furniture, Machinery, and Equipment	5,177,027	723,008	42,308	5,857,727
Assets Under Capital Lease	1,196,410	184,063		1,380,473
<b>Total Accumulated Depreciation</b>	<b>46,997,235</b>	<b>4,089,825</b>	<b>42,308</b>	<b>51,044,752</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 67,535,351</b>	<b>\$ (769,685)</b>	<b>\$ 15,992</b>	<b>\$ 66,749,674</b>

## 8. UNEARNED REVENUE

Unearned revenue in the amount of \$41,280 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, 2013, include a capital lease payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable	\$ 1,059,418	\$	\$ 1,059,418	\$	\$
Capital Lease Payable	823,942		198,200	625,742	
Special Termination Benefits Payable	221,903	247,453	110,106	359,250	112,483
Compensated Absences Payable	2,797,361	644,321	656,258	2,785,424	88,131
Other Postemployment Benefits Payable	268,791	142,305	91,660	319,436	
<b>Total Long-Term Liabilities</b>	<b>\$ 5,171,415</b>	<b>\$ 1,034,079</b>	<b>\$ 2,115,642</b>	<b>\$ 4,089,852</b>	<b>\$ 200,614</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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

letter issued November 3, 2010. The note matured on June 30, 2013, with a 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, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014 (1)	\$
2015	239,400
2016	251,000
2017	173,779
<b>Total Minimum Payments</b>	664,179
Less, Amount Representing Interest	38,437
<b>Present Value of Minimum Payments</b>	<b>\$ 625,742</b>

Note: (1) Paid in the 2012-13 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 \$1,912 as of June 30, 2013, for 3 participants who gave notice to retire under the Retirement Incentive Program. The 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.

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 \$357,338 at June 30, 2013, for 27 employees who gave notice to retire under the Retirement Enhancement Program.

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**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, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,785,424. The current portion of the compensated absences liability, \$88,131, is estimated as the sum of the average change in the compensated absences liability for the prior 14 years.

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

*Plan Description.* The College contributes to an agent, multiple-employer, defined-benefit plan (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 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 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 2012-13 fiscal year, 55 retirees received postemployment healthcare benefits and 84 retirees received postemployment life insurance benefits. The College provided required contributions of \$91,660 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$165,592, which represents 0.8 percent of covered payroll.

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

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JUNE 30, 2013**

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 94,222
Amortization of Unfunded Actuarial Accrued Liability	46,291
<b>Annual Required Contribution</b>	140,513
Interest on Net OPEB Obligation	10,752
Adjustment to Annual Required Contribution	(8,960)
<b>Annual OPEB Cost (Expense)</b>	142,305
Contribution Toward the OPEB Cost	(91,660)
<b>Increase in Net OPEB Obligation</b>	50,645
Net OPEB Obligation, Beginning of Year	268,791
<b>Net OPEB Obligation, End of Year</b>	\$ 319,436

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, 2013, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 200,471	75.9%	\$ 222,147
2011-12	136,507	65.8%	268,791
2012-13	142,305	64.4%	319,436

*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 employees) was \$21,587,114 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.2 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

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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, 2013, and the College's 2012-13 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, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 9.5 percent pre-Medicare and 7.5 percent Medicare for the 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 6 years for pre-Medicare and 5 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2013, was 24 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 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.

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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 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
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, 2011, June 30, 2012, and June 30, 2013, totaled \$1,660,579, \$1,163,077, and \$1,222,458, respectively, which were equal to the required contributions for each fiscal year.

There were 109 College participants in the Investment Plan during the 2012-13 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$458,795, which was equal to the required contribution for the 2012-13 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 eight or more years.

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JUNE 30, 2013**

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, 5.64 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 32 College participants during the 2012-13 fiscal year. The College’s contributions to the Program totaled \$149,304, and employee contributions totaled \$86,936 for the 2012-13 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 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. The College contributes 12.49 percent of the employee’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, 2013, two College employees opted to participate in the Local Annuity Program. Contributions made by the College to the Local Annuity Program totaled \$41,021 during the 2012-13 fiscal year.

**11. CONSTRUCTION COMMITMENTS**

The College had no major construction commitments at June 30, 2013; however, there were several small remodel and renovation projects in progress. The total amount of construction commitments for those projects was \$332,050, as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Small Projects (1)	\$ 1,087,999	\$ 755,949	\$ 332,050

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2013.

**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

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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 \$90 million to February 28, 2013, and up to \$125 million from March 1, 2013. 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 changes in net position 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	\$ 22,136,454
Academic Support	3,005,995
Student Services	5,442,224
Institutional Support	12,656,952
Operation and Maintenance of Plant	6,692,945
Scholarships and Waivers	14,946,728
Depreciation	4,089,825
Auxiliary Enterprises	<u>3,677,669</u>
<b>Total Operating Expenses</b>	<b><u>\$ 72,648,792</u></b>

### 14. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Statement of Current Unrestricted Funds Net Position**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 18,758,369
Accounts Receivable, Net	1,228,782
Due From Other Governmental Agencies	53,322
Due from Other Funds	170,000
Inventories	938,927
Prepaid Expenses	441,199

Noncurrent Assets:

Investments	74,051
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**TOTAL ASSETS**

21,664,650

**LIABILITIES**

Current Liabilities:

Accounts Payable	395,960
Due to Other Governmental Agencies	5,173
Unearned Revenue	25,441
Special Termination Benefits Payable	112,483
Compensated Absences Payable	76,853

**Total Current Liabilities**

615,910

Noncurrent Liabilities:

Special Termination Benefits Payable	246,767
Compensated Absences Payable	2,556,174
Other Postemployment Benefits Payable	319,436

**TOTAL LIABILITIES**

3,738,287

**TOTAL NET POSITION**

\$ 17,926,363

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship		
Allowances of \$7,274,072	\$	15,437,930
Sales and Services of Educational Departments		49,837
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$1,500,138		3,275,844
Other Operating Revenues		388,767
		<hr/>
<b>Total Operating Revenues</b>		<b>19,152,378</b>

**EXPENSES**

## Operating Expenses:

Personnel Services		32,362,284
Scholarships and Waivers		38,551
Utilities and Communications		1,607,919
Contractual Services		2,646,357
Other Services and Expenses		3,465,274
Materials and Supplies		6,050,347
		<hr/>
<b>Total Operating Expenses</b>		<b>46,170,732</b>
		<hr/>
<b>Operating Loss</b>		<b>(27,018,354)</b>

**NONOPERATING REVENUES (EXPENSES)**

State Noncapital Appropriations		21,420,707
Investment Income		91,782
Other Nonoperating Revenues		102,799
Other Nonoperating Expenses		(12,438)
		<hr/>

**Net Nonoperating Revenues** 21,602,850

**Loss Before Other Revenues,  
Expenses, Gains, or Losses** (5,415,504)

Transfers to/from Other Funds 2,660,328

**Decrease in Net Position** (2,755,176)

Net Position, Beginning of Year 20,681,539

**Net Position, End of Year** \$ 17,926,363

**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*

### Report on the Financial Statements

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 10, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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*.

### Purpose of this Report

The purpose of the **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 solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 10, 2014