

BROWARD COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Sean C. Alveshire, to 8-21-13 Vice Chair (2)
Gloria M. Fernandez from 10-25-13
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J. David Armstrong, Jr., President

Notes: (1) The Vice Chair position was vacant from
August 22, 2013, through September 23, 2013
(2) Board member resigned on August 21, 2013,
and the position remained vacant until the board
member was replaced on October 25, 2013

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

The audit team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Broward College and its officers with administrative and stewardship responsibilities for College operations had:

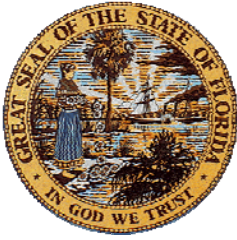
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. 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. 2015-102.

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

Report on the Financial Statements

We have audited the accompanying financial statements of Broward College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, 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, which represents 100 percent of the transactions and account balances of the discretely presented component unit column. 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 Broward College and of its discretely presented component unit as of June 30, 2014, 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 Broward College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broward College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 18, 2015

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, 2014, and should be read in conjunction with the financial statements and notes thereto. 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, 2014, and June 30, 2013, and its component unit the Broward College Foundation, Inc., for the fiscal years ended December 31, 2013, and December 31, 2012.

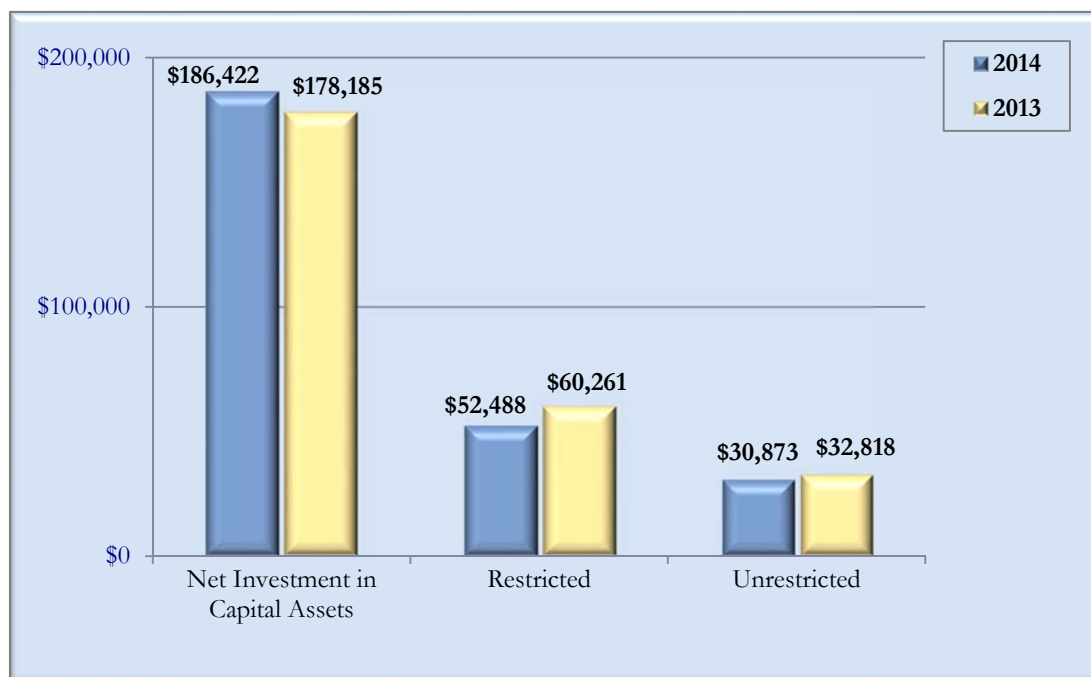
FINANCIAL HIGHLIGHTS

The College's assets totaled \$328.5 million at June 30, 2014. This balance reflects a \$2.7 million, or 0.8 percent, decrease as compared to the 2012-13 fiscal year. Liabilities decreased by \$1.2 million, or 2.1 percent, totaling \$58.7 million at June 30, 2014, as compared to \$59.9 million at June 30, 2013. As a result, the College's net position decreased by \$1.5 million, resulting in a year-end balance of \$269.8 million.

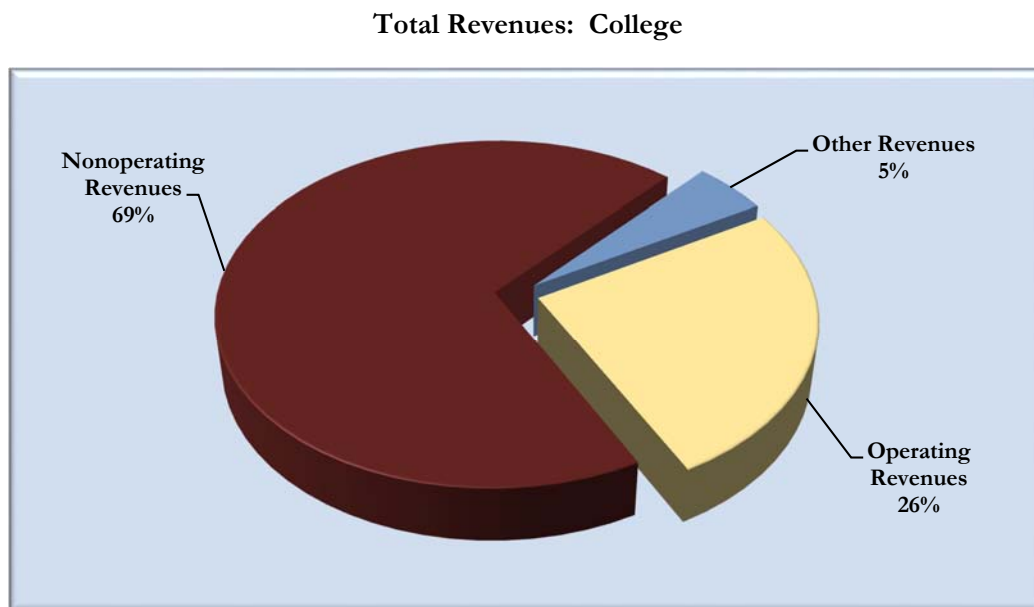
The College's operating revenues totaled \$70.8 million for the 2013-14 fiscal year, representing a 2.1 percent decrease as compared to the 2012-13 fiscal year. Operating expenses totaled \$278.1 million for the 2013-14 fiscal year, representing an increase of 8.3 percent as compared to the 2012-13 fiscal year due mainly to increases in personnel services, materials and supplies, and contracted services expenses.

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, 2014, and June 30, 2013, 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 2013-14 fiscal year:



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:

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

THE STATEMENT OF NET 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 occur 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	
	6-30-14	6-30-13	12-31-13	12-31-12
Assets				
Current Assets	\$ 54,929	\$ 65,872	\$ 1,436	\$ 1,000
Capital Assets, Net	203,430	196,509		43
Other Noncurrent Assets	70,103	68,810	73,940	67,417
Total Assets	328,462	331,191	75,376	68,460
Liabilities				
Current Liabilities	22,367	21,892	760	758
Noncurrent Liabilities	36,312	38,035		
Total Liabilities	58,679	59,927	760	758
Net Position				
Net Investment in Capital Assets	186,422	178,185		
Restricted	52,488	60,261	64,176	58,990
Unrestricted	30,873	32,818	10,440	8,712
Total Net Position	\$ 269,783	\$ 271,264	\$ 74,616	\$ 67,702

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	
	6-30-14	6-30-13	12-31-13	12-31-12
Operating Revenues	\$ 70,761	\$ 72,281	\$ 4,214	\$ 3,037
Less, Operating Expenses	278,142	256,922	6,666	7,551
Operating Income (Loss)	(207,381)	(184,641)	(2,452)	(4,514)
Net Nonoperating Revenues	192,420	172,557	9,366	7,668
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(14,961)	(12,084)	6,914	3,154
Other Revenues, Expenses, Gains, or Losses	13,480	9,428		
Net Increase (Decrease) in Net Position	(1,481)	(2,656)	6,914	3,154
Net Position, Beginning of Year	271,264	273,920	67,702	64,548
Net Position, End of Year	\$ 269,783	\$ 271,264	\$ 74,616	\$ 67,702

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.

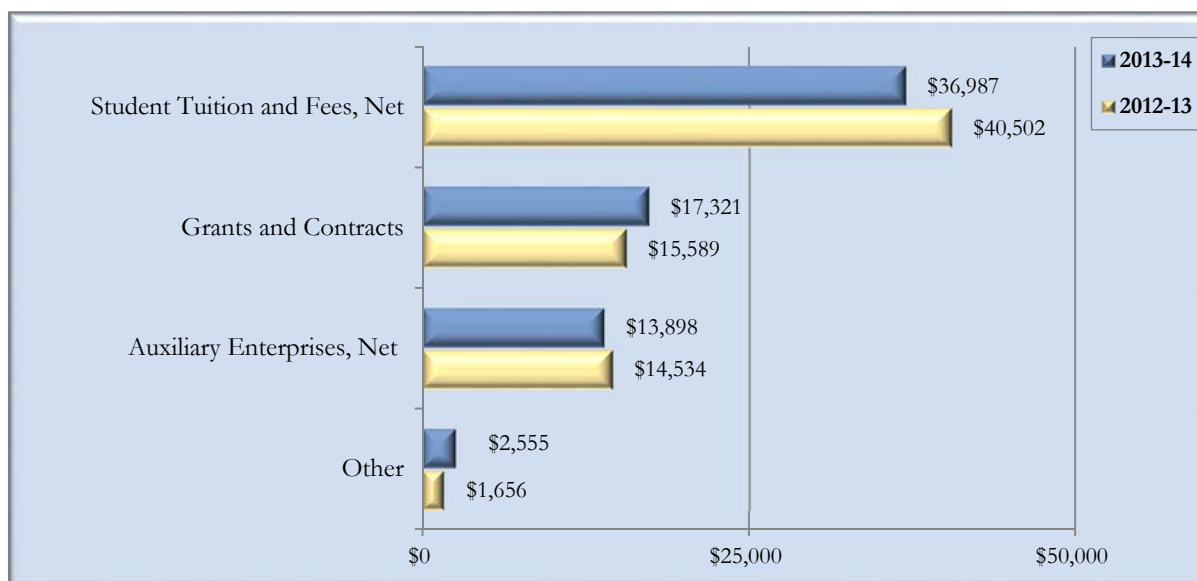
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Student Tuition and Fees, Net	\$ 36,987	\$ 40,502	\$	\$
Grants and Contracts	17,321	15,589		
Auxiliary Enterprises, Net	13,898	14,534		
Other	2,555	1,656	4,214	3,037
Total Operating Revenues	\$ 70,761	\$ 72,281	\$ 4,214	\$ 3,037

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

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



College operating revenue decreased by \$1.5 million, or 2.1 percent, as compared to the prior fiscal year. Significant changes were the result of the following factors:

- Net student tuition and fees decreased by \$3.5 million dollars, or 8.7 percent, as a result of an increase in scholarship allowances.
- Grants and contracts increased by \$1.7 million, or 11.1 percent, as a result of an increase in Federal grants and contracts received.

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.

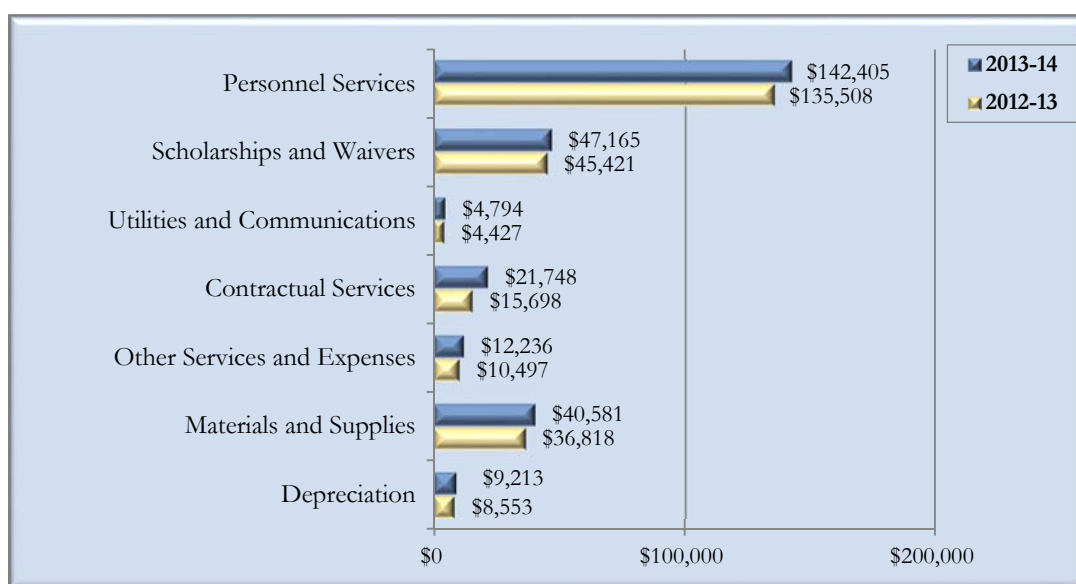
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Personnel Services	\$ 142,405	\$ 135,508	\$	\$
Scholarships and Waivers	47,165	45,421		
Utilities and Communications	4,794	4,427		
Contractual Services	21,748	15,698		
Other Services and Expenses	12,236	10,497	6,666	7,551
Materials and Supplies	40,581	36,818		
Depreciation	9,213	8,553		
Total Operating Expenses	\$ 278,142	\$ 256,922	\$ 6,666	\$ 7,551

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

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



College operating expenses increased by \$21.2 million, or 8.3 percent, as compared to the prior fiscal year. Significant changes were the result of the following factors:

- Personnel services expenses increased by \$6.9 million, or 5.1 percent, mainly due to salary increases, the addition of instructional positions, and an increase in the Florida Retirement System contribution rates.
- Scholarships and waivers expenses increased by \$1.7 million, or 3.8 percent, mainly due to an increase in Pell Grant scholarships.
- Contractual services expenses increased by \$6 million, or 38.5 percent, mainly due to increases in security services, advertising, and information technology service contracts.

- Materials and Supplies expenses increased by \$3.8 million, or 10.2 percent, mainly due to increases in spending levels for non-capitalized remodeling and renovations due to increase in State and local (Capital Improvement Fee) funding.

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, gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	\$ 82,335	\$ 72,142
Federal and State Student Financial Aid	105,939	99,792
Gifts and Grants	2,012	
Investment Income	2,849	708
Other Nonoperating Revenues	118	805
Interest on Capital Asset-Related Debt	(833)	(890)
Net Nonoperating Revenues	\$ 192,420	\$ 172,557

Net nonoperating revenues increased by \$19.9 million, or 11.5 percent, mainly due to the following:

- State noncapital appropriations increased by \$10.2 million, or 14.1 percent, due to increases in Florida College System Program Fund and Education Enhancement Trust Fund (Lottery) appropriations for the 2013-14 fiscal year.
- Federal and State student financial aid increased by \$6.1 million, or 6.2 percent, mainly due to an increase in Pell Grant awards revenues of \$5.9 million.
- Gifts and grants increased by \$2 million as the result of revenue received from local school districts for the dual enrollment programs provided by the College.
- Investment income increased by \$2.1 million, or 302.4 percent, primarily due to the results of the unrealized gain on investments of \$1.5 million.

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 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	\$ 3,237	\$ 920
Capital Grants, Contracts, Gifts, and Fees	10,224	8,486
Additions to Permanent Endowments	19	22
Total	\$13,480	\$ 9,428

Other Revenues increased by \$4.1 million, or 43 percent. Significant changes were the result of the following:

- State capital appropriations increased primarily due to an increase from \$0.4 million to \$2.7 million Public Education Capital Outlay allocations from the State for construction of College facilities.
- Capital grants, contracts, gifts, and fees increased primarily due to an increase in the capital improvement fee revenues.

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. 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 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College (In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (199,700)	\$ (174,055)
Noncapital Financing Activities	190,535	172,256
Capital and Related Financing Activities	7,012	2,062
Investing Activities	325	(4,519)
Net Decrease in Cash and Cash Equivalents	(1,828)	(4,256)
Cash and Cash Equivalents, Beginning of Year	53,023	57,279
Cash and Cash Equivalents, End of Year	\$ 51,195	\$ 53,023

Major sources of cash inflows came from Federal and State student financial aid (\$105.7 million), State noncapital appropriations (\$82.3 million), net student tuition and fees (\$36 million), Federal Direct Student Loan program receipts (\$26.2 million), grants and contracts (\$16.8 million), auxiliary enterprises (\$14 million), and State capital appropriations (\$13.1 million). Major uses of funds were for payments to employees and employee benefits (\$143.7 million), to providers of goods and services (\$73.6 million), scholarships (\$47.2 million), disbursements to students for Federal Direct Student Loans (\$26.2 million), and purchases of capital assets (\$16.3 million).

The College's overall cash and cash equivalents decreased by \$1.8 million, or 3.4 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Cash used by operating activities increased by \$25.6 million, or 14.7 percent, primarily due to increases in payments to employees, payment for employee benefits, and payments to suppliers.
- Cash provided by noncapital financing activities increased by \$18.3 million, or 10.6 percent, primarily due to increases in Florida College System Program Fund and Education Enhancement Trust Fund (Lottery) appropriations totaling \$10.2 million and increases in Pell Grant cash provided of \$5.9 million.
- Cash provided by capital and related financing activities increased by \$4.9 million, or 237.1 percent, primarily due to increases in State capital appropriations of \$2.3 million, the receipt of unearned lease

revenue of \$2 million, and capital improvement receipts of \$1.8 million, offset by an increase in the purchase of capital assets of \$1.7 million.

- Cash provided by investing activities increased by \$4.8 million, or 107.2 percent, as a result of the College only reinvesting its earnings in the current year while in the prior year, in addition to reinvesting its earnings, the College also purchased \$5 million in additional investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had \$369.3 million in capital assets, less accumulated depreciation of \$165.9 million, for net capital assets of \$203.4 million. Depreciation charges for the current fiscal year totaled \$9.2 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>2014</u>	<u>2013</u>
Land	\$ 17,630	\$ 17,630
Construction in Progress	10,991	16,562
Software in Progress	4,044	1,123
Buildings	165,820	156,478
Other Structures and Improvements	455	607
Furniture, Machinery, and Equipment	4,490	4,109
Capital Assets, Net	<u>\$ 203,430</u>	<u>\$ 196,509</u>

CAPITAL EXPENSES AND COMMITMENTS

The College reported \$32.2 million in capital expenses for capitalized capital assets for the 2013-14 fiscal year. The College had \$28.3 million in major construction commitments at June 30, 2014. The commitments are for:

- Central Campus – Renovations to Building 3 (\$3.4 million)
- South Campus – New Science Building, Building 72 renovations, Building 68A expansion, and a Soccer Field (\$24.9 million)

State appropriations together with local funds are expected to finance these projects. The College's major construction commitments at June 30, 2014, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$39,300
Completed to Date	<u>(10,991)</u>
Balance Committed	<u>\$28,309</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$19.3 million in capital related long-term debt representing an increase of \$0.6 million, or 3.3 percent, as compared to the prior year. The College's capital related long-term debt is primarily comprised of \$17.4 million of outstanding capital improvement debt payable, which decreased by \$1.3 million, or 7 percent, from the prior fiscal year. This decrease is offset by an increase in unearned lease revenue of \$1.9 million, which is a 100 percent increase as compared to the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

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

	<u>2014</u>	<u>2013</u>
SBE Capital Outlay Bonds	\$ 2,370	\$ 2,830
Capital Improvement Revenue Bonds	15,020	15,800
Unearned Lease Revenue	1,939	
Capital Lease		<u>76</u>
Total	<u><u>\$ 19,329</u></u>	<u><u>\$ 18,706</u></u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, there were no bond sales and debt repayments 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 2014-15 fiscal year. In response, the College again implemented a conservative budget for the 2014-15 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A (or other required supplementary information) and financial statements and notes thereto, or requests for additional financial information should be addressed to Jayson Iroff, CFO, Broward College, 6400 NW 6th Way, Fort Lauderdale, Florida 33309.

BASIC FINANCIAL STATEMENTS

BROWARD COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,458,935	\$ 1,317,432
Restricted Cash and Cash Equivalents	2,024,997	
Accounts Receivable, Net	4,961,639	95,581
Notes Receivable, Net	403,672	
Due from Other Governmental Agencies	12,656,865	
Due from Component Unit	341,189	
Inventories	4,389,465	
Prepaid Expenses	85,560	22,938
Deposits	606,820	
Total Current Assets	54,929,142	1,435,951
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19,711,637	73,940,799
Investments	30,968,568	
Restricted Investments	19,422,658	
Depreciable Capital Assets, Net	170,764,735	
Nondepreciable Capital Assets	32,665,199	
Total Noncurrent Assets	273,532,797	73,940,799
TOTAL ASSETS	328,461,939	75,376,750
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,181,963	760,210
Salary and Payroll Taxes Payable	2,812,568	
Retainage Payable	1,108,159	
Due to Other Governmental Agencies	645,638	
Unearned Revenue	1,395,048	
Estimated Insurance Claims Payable	7,978,718	
Deposits Held for Others	2,905,324	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,295,000	
Unearned Lease Revenue	66,667	
Compensated Absences Payable	978,043	
Total Current Liabilities	22,367,128	760,210
Noncurrent Liabilities:		
Bonds Payable	16,095,000	
Unearned Lease Revenue	1,872,222	
Compensated Absences Payable	14,582,879	
Other Postemployment Benefits Payable	3,762,126	
Total Noncurrent Liabilities	36,312,227	
TOTAL LIABILITIES	58,679,355	760,210

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	<u>College</u>	<u>Component Unit</u>
NET POSITION		
Net Investment in Capital Assets	\$ 186,422,254	\$
Restricted:		
Nonexpendable:		
Endowment	1,030,917	35,800,724
Expendable:		
Grants and Loans	6,946,938	
Scholarships	783,568	28,375,332
Capital Projects	43,706,419	
Debt Service	19,319	
Unrestricted	<u>30,873,169</u>	<u>10,440,484</u>
TOTAL NET POSITION	<u>\$ 269,782,584</u>	<u>\$ 74,616,540</u>

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$58,251,717	\$ 36,987,345	\$
Federal Grants and Contracts	5,544,516	
State and Local Grants and Contracts	2,342,381	
Nongovernmental Grants and Contracts	9,434,093	
Auxiliary Enterprises, Net of Scholarship Allowances of \$8,952,793	13,898,358	
Other Operating Revenues	2,554,279	4,213,876
Total Operating Revenues	70,760,972	4,213,876
EXPENSES		
Operating Expenses:		
Personnel Services	142,405,037	
Scholarships and Waivers	47,165,427	
Utilities and Communications	4,793,577	
Contractual Services	21,747,912	
Other Services and Expenses	12,235,596	6,665,960
Materials and Supplies	40,581,425	
Depreciation	9,212,923	
Total Operating Expenses	278,141,897	6,665,960
Operating Loss	(207,380,925)	(2,452,084)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	82,335,347	
Federal and State Student Financial Aid	105,938,687	
Gifts and Grants	2,011,913	
Investment Income	2,848,631	9,366,148
Other Nonoperating Revenues	118,471	
Interest on Capital Asset-Related Debt	(833,591)	
Net Nonoperating Revenues	192,419,458	9,366,148
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(14,961,467)	6,914,064
State Capital Appropriations	3,237,168	
Capital Grants, Contracts, Gifts, and Fees	10,224,127	
Additions to Permanent Endowments	18,927	
Total Other Revenues	13,480,222	
Increase (Decrease) in Net Position	(1,481,245)	6,914,064
Net Position, Beginning of Year	271,263,829	67,702,476
Net Position, End of Year	\$ 269,782,584	\$ 74,616,540

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 36,044,362
Grants and Contracts	16,833,573
Payments to Suppliers	(73,610,413)
Payments for Utilities and Communications	(4,793,577)
Payments to Employees	(113,024,582)
Payments for Employee Benefits	(30,632,207)
Payments for Scholarships	(47,165,427)
Loans Issued to Students	(5,293,836)
Collection on Loans to Students	5,414,759
Auxiliary Enterprises, Net	13,975,910
Other Receipts	2,551,444
Net Cash Used by Operating Activities	<u>(199,699,994)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	82,335,347
Federal and State Student Financial Aid	105,718,523
Federal Direct Loan Program Receipts	26,226,722
Federal Direct Loan Program Disbursements	(26,226,722)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,011,913
Private Gifts for Endowment Purposes	18,927
Other Nonoperating Receipts	450,789
Net Cash Provided by Noncapital Financing Activities	<u>190,535,499</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Prepaid Lease Agreement	2,000,000
State Capital Appropriations	13,133,970
Capital Grants and Gifts	10,224,127
Proceeds from Sale of Capital Assets	118,471
Purchases of Capital Assets	(16,314,930)
Principal Paid on Capital Debt and Leases	(1,316,269)
Interest Paid on Capital Debt and Leases	(833,591)
Net Cash Provided by Capital and Related Financing Activities	<u>7,011,778</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(1,294,803)
Proceeds from Sales and Maturities of Investments	263,025
Investment Income	1,356,480
Net Cash Provided by Investing Activities	<u>324,702</u>
Net Decrease in Cash and Cash Equivalents	(1,828,015)
Cash and Cash Equivalents, Beginning of Year	<u>53,023,584</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,195,569</u></u>

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (207,380,925)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	9,212,923
Changes in Assets and Liabilities:	
Receivables, Net	604,412
Inventories	(529,292)
Prepaid Expenses	30,689
Payables	710,426
Unearned Revenue	(151,415)
Deposits Held for Others	(60,423)
Compensated Absences Payable	2,561,042
Other Postemployment Benefits Payable	(4,697,431)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (199,699,994)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING 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.	\$ 1,492,151

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Broward College Foundation, Inc. (Foundation), 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 December 31, 2013.

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 are generally 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:

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- 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 difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

tuition scholarship allowance as prescribed by NACUBO Advisory Report 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. The College maintains a detailed record of this activity in the Credit and Collection activity file at the financial aid and student level.

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

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

At June 30, 2014, the College reported as cash equivalents at fair value \$351,658 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents \$25,406,550 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, 2014, 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, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; software in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year as well as unearned lease revenue which will be amortized over 30 years.

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the 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; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The College's investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
SBA Fund B Surplus Funds Trust Fund	\$ 158,362
SBA Debt Service Accounts	61,862
Mutual Funds	<u>50,171,002</u>
Total College Investments	<u>\$ 50,391,226</u>

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, 2014, the College reported investments at fair value of \$158,362 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 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 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, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments totaling \$61,862 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Mutual Funds. The College reported investments in mutual funds totaling \$50,171,002 at June 30, 2014.

The College's Investment Policy Statement provides for a short-term investment pool, an intermediate-term investment pool, and a long-term investment pool. The primary objective of the short-term investment pool (funds needed for expenditures in one year or less) is to provide for preservation of capital and liquidity. The primary objectives of the intermediate-term investment pool are the preservation of capital and maximization of income without undue risk within the specific parameters specified in the investment policy. The primary objectives of the long-term investment pool (funds not expected to be needed as working capital and are not intermediate-term) are to provide for long-term growth of principal and income without undue exposure to risk.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The following risks apply to these investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investments in mutual funds have portfolios with average durations ranging from 2.2 years to 7.9 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The College's investments in mutual funds at June 30, 2014, had portfolios having an average credit quality of between AAA and BB.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College's investment policy provides the securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank, or other third-party custodial institution. The College's \$50,171,002 investments in mutual funds are held by the safekeeping agent in the name of the College.

Component Unit Investments

Investments held by the College's component unit at December 31, 2013, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Marketable Securities Equities:	
Foreign	\$ 19,323,152
Domestic	20,707,184
Other:	
Alternative Investments	23,041,235
Fixed Income	9,787,550
Money Market Funds	1,081,678
Total Component Unit Investments	<u>\$ 73,940,799</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,211,808 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program, financial aid overpayments and fee deficiencies. Notes receivable are reported net of a \$5,869,998 allowance for doubtful notes.

**BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$7,704,350 due from State funding sources, including \$4,691,289 of Public Education Capital Outlay allocations due for construction of College facilities, and \$4,952,515 from other agencies, primarily \$2,541,489 due from the Federal government for Pell Grant and other Federal financial aid programs.

6. DUE FROM COMPONENT UNIT

The College reported a due from component unit of \$341,189, which represents expenditures made by the College that will be reimbursed by the component unit. The College's financial statements are reported for the fiscal year ended June 30, 2014. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2013. Accordingly, although the College reported an amount due from component unit on the statement of net position, no amount is reported for the component unit as a payable to the College.

7. INVENTORIES

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

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 17,629,705	\$	\$	\$ 17,629,705
Construction in Progress	16,562,693	10,493,980	16,065,545	10,991,128
Software in Progress	1,123,009	2,921,357		4,044,366
Total Nondepreciable Capital Assets	\$ 35,315,407	\$ 13,415,337	\$ 16,065,545	\$ 32,665,199
Depreciable Capital Assets:				
Buildings	\$ 267,091,895	\$ 16,065,545	\$	\$ 283,157,440
Other Structures and Improvements	14,499,592			14,499,592
Furniture, Machinery, and Equipment	23,576,150	2,718,122	247,167	26,047,105
Assets Under Capital Lease	12,975,539			12,975,539
Total Depreciable Capital Assets	318,143,176	18,783,667	247,167	336,679,676
Less, Accumulated Depreciation:				
Buildings	110,614,072	6,723,827		117,337,899
Other Structures and Improvements	13,892,526	151,766		14,044,292
Furniture, Machinery, and Equipment	19,467,048	2,337,330	247,167	21,557,211
Assets Under Capital Lease	12,975,539			12,975,539
Total Accumulated Depreciation	156,949,185	9,212,923	247,167	165,914,941
Total Depreciable Capital Assets, Net	\$ 161,193,991	\$ 9,570,744	\$	\$ 170,764,735

9. GRAVES MUSEUM ARTIFACTS

On March 28, 2005, the United States Bankruptcy Court named Broward College recipient of the Graves Museum of Archaeology and Natural History Collection. Out of 20 major collections and 44 small collections of donated assets, approximately 84 percent have been fully cataloged and all artifacts have been photographed. College staff indicated it will take several more years to fully catalog the entire collection. While the collection is undoubtedly quite valuable and irreplaceable, the College has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

10. UNEARNED REVENUE

Unearned revenue of \$1,395,048 consists primarily of 2014-15 fiscal year assessments for the Higher Education Technology Group totaling \$1,312,962 received in 2013-14 fiscal year (see note 17).

11. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, unearned lease revenue, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 18,630,000	\$	\$ 1,240,000	\$ 17,390,000	\$ 1,295,000
Capital Lease Payable	76,269		76,269		
Unearned Lease Revenue		2,000,000	61,111	1,938,889	66,667
Compensated Absences Payable	12,999,880	3,932,132	1,371,090	15,560,922	978,043
Other Postemployment Benefits Payable	8,459,557	655,190	5,352,621	3,762,126	
Total Long-Term Liabilities	\$ 40,165,706	\$ 6,587,322	\$ 8,101,091	\$ 38,651,937	\$ 2,339,710

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

- **SBE Capital Outlay Bonds.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- **Capital Improvement Revenue Bonds, Series 2008A.** These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2008A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2008A bonds. The Series 2008A bonds constitute the second series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2008A bonds will share the lien of such additional bonds on the Series 2008A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for the construction of a multi-level parking garage at the College's Central Campus.

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005B	\$ 2,370,000	5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2008A	15,020,000	3.4 - 5.0	2028
Total	\$ 17,390,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

BROWARD COLLEGE
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Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2015	\$ 1,295,000	\$ 780,534	\$ 2,075,534
2016	1,345,000	728,744	2,073,744
2017	1,415,000	661,494	2,076,494
2018	1,485,000	599,494	2,084,494
2019	1,080,000	534,393	1,614,393
2020-2024	5,520,000	1,972,681	7,492,681
2025-2028	5,250,000	627,931	5,877,931
Total	\$ 17,390,000	\$ 5,905,271	\$ 23,295,271

In prior years, portions of the SBE Capital Outlay Bonds, Series 1998A and 2000A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt services payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College's statement of net position. As of June 30, 2014, \$1,715,000 of SBE Capital Outlay Bonds, Series 1998A, and \$770,000 of SBE Capital Outlay Bonds, Series 2000A, are considered defeased in-substance.

Unearned Lease Revenue. The College leased land in Miramar, Florida, to a third party pursuant to a ground lease agreement dated August 9, 2013, with terms extending thirty years. The lease was prepaid in August 2013 by the third party to the College for the sum of \$2,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the College totaled \$1,938,889 at June 30, 2014, of which \$66,667 was reported as current.

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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$15,560,922. The current portion of the compensated absences liability, \$978,043, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's self-insured health and hospitalization plan

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JUNE 30, 2014

for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 94 retirees received other postemployment benefits. The College provided required contributions of \$246,845 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 \$783,194, which represents 1.2 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 fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

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JUNE 30, 2014

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 394,697
Amortization of Unfunded Actuarial Accrued Liability	238,135
Interest on Normal Cost and Amortization	
Annual Required Contribution	632,832
Interest on Net OPEB Obligation	134,151
Adjustment to Annual Required Contribution	(111,793)
Annual OPEB Cost (Expense)	655,190
Contribution Toward the OPEB Cost	(246,845)
Increase in Net OPEB Obligation	408,345
Net OPEB Obligation, Beginning of Year	8,459,557
Beginning Balance Adjustment (1)	(5,105,776)
Net OPEB Obligation, Beginning of Year, as Restated	3,353,781
Net OPEB Obligation, End of Year	\$ 3,762,126

Note: (1) The net obligation as of June 2013 was decreased by \$5,105,776 due to changes made in the actuarial assumptions used to develop the net OPEB obligation.

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, 2014, and for the two preceding fiscal years were as follows:

		<u>Contributed</u>	
2011-12	\$ 2,048,871	25.5%	\$ 6,532,901
2012-13 (1)	2,159,059	10.8%	3,353,781
2013-14	655,190	37.7%	3,762,126

Note: (1) The net OPEB Obligation as of June 2013 was decreased by \$5,105,776 due to the changes made in actuarial assumptions used to develop the net OPEB obligation.

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$7,144,058, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,144,058, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$65,112,705 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11 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

BROWARD COLLEGE
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JUNE 30, 2014

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, 2013, used the entry age normal actuarial cost method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for each. 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, 2014 was 23 years.

12. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS 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

BROWARD COLLEGE
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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 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$4,156,025, \$4,447,794, and \$6,873,078, respectively, which were equal to the required contributions for each fiscal year.

BROWARD COLLEGE
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JUNE 30, 2014

There were 267 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,245,772, which was equal to the required contribution for the 2013-14 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' Web site (www.myfloridacfo.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

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.

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, 7.34 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 187 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$963,493 and employee contributions totaled \$393,798, for the 2013-14 fiscal year.

13. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2014, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Central Campus:			
Building 3 Renovations	\$ 3,400,000	\$	\$ 3,400,000
South Campus:			
Science Building	23,500,000	733,964	22,766,036
Building 72 Renovations	10,630,561	9,444,053	1,186,508
Building 68A Expansion	500,000	97,740	402,260
Soccer Field	1,270,000	715,371	554,629
Total	\$ 39,300,561	\$ 10,991,128	\$ 28,309,433

BROWARD COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

14. OPERATING LEASE COMMITMENTS

The College leased building space under an operating lease, which expires in 2018. This leased asset and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are contingent upon future appropriations. Future minimum lease commitments for this noncancelable operating lease are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 238,768
2016	257,686
2017	276,604
2018	<u>70,333</u>
Total Minimum Payments Required	<u>\$ 843,391</u>

15. 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 purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Life, dental, and long-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$250,000 per insured person to December 31, 2013, and \$275,000 per insured person from January 1, 2014. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability at June 30, 2014, totaled \$7,978,718; which includes the College's estimate claims liability of \$1,382,829 and \$6,595,889 representing amounts held in excess of the claims liability, classified as insurance claims deposits. The College will use these deposits to pay claims incurred in future fiscal years.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
2012-13	\$ 9,291,592	\$12,979,249	\$ (14,510,991)	\$ 7,759,850
2013-14	7,759,850	15,298,790	(15,079,922)	7,978,718

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net 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	\$ 81,278,718
Public Services	1,521,909
Academic Support	22,409,846
Student Services	24,060,014
Institutional Support	39,763,396
Operation and Maintenance of Plant	31,427,676
Scholarships and Waivers	47,763,222
Depreciation	9,212,923
Auxiliary Enterprises	20,704,193
Total Operating Expenses	\$ 278,141,897

BROWARD COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

17. FISCAL AGENT FOR THE HIGHER EDUCATION TECHNOLOGY GROUP

Effective July 1, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due or payable from HETGroup and for certain personnel functions. For the 2013-14 fiscal year, HETGroup revenues and expenditures totaled \$3,609,741 and \$2,839,061, respectively, and are reported as operating nongovernmental grants and contracts and operating expenditures, respectively, on the statement of revenues, expenses, and changes in net position. At June 30, 2014, net assets of HETGroup totaling \$5,759,945 are held in the College's Current Restricted Fund.

18. SUBSEQUENT EVENTS

Miramar West Center. On August 9, 2013, the College entered into a long-term ground lease with a third party regarding land owned by the College in Miramar, Florida, with a total prepaid rent payment of \$2 million, which was received during fiscal year 2013-14. The third party will construct an educational building of 80,000 square feet on the site in accordance with specifications dictated by the College. The building will be owned by the third party. Once completed, the College will occupy and lease approximately 45,000 square feet of the building at an initial cost of approximately \$23 per square foot. Also, the College will sub-lease and irrevocably assign the rental obligation of approximately 35,000 square feet to Florida International University (the "University") with similar lease rates. The College will pay the operating costs of the building and the University will reimburse the College for its pro rata share pursuant to a separate operating and maintenance agreement. The College and University will begin to make rent payments directly to the third party upon occupancy, which is anticipated to be August 2014. The lease term for both entities is twenty years with two five-year renewal options.

Contract for Bookstore Services. Effective July 1, 2014, the College contracted with a private vendor to operate the College's bookstores for a period of five years. The contract may be renewed for one additional five-year period at the discretion of the College. The contract provides for the following:

- The vendor will provide the College a one-time signing bonus of \$1 million which will be amortized over a five year period.
- The vendor will pay the College the greater of a guaranteed amount or a percentage of gross sales. The guaranteed amount for the first contract year is \$3 million.
- The vendor will purchase the inventory from the College within 120 days of the physical inventory.

South Campus Science Building. The College is working with a banking institution and the City of Pembroke Pines to obtain \$15 million in direct financing to construct the Science Building and Chiller plant at the College's South Campus in Pembroke Pines. The funds will be paid back over a 7-year period using capital improvement fees. The College anticipates closing on the financing structure in March 2015.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 18,692,337	\$ 18,692,337	0%	\$ 63,329,742	29.5%
7/1/2011	-	20,619,034	20,619,034	0%	69,895,770	29.5%
7/1/2013	-	7,144,058	7,144,058	0%	65,112,705	11.0%

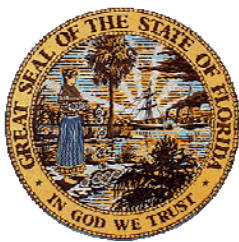
Note: (1) The College's OPEB actuarial valuation used the entry age normal actuarial cost method to estimate the actuarial accrued liability.

**BROWARD COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of \$7,144,058 was significantly lower than the July 1, 2011, liability of \$20,619,034 as a result of the following:

- The demographic assumptions (e.g., rates of termination, mortality, disability, and retirement) of the most recent actuarial valuation of the Florida Retirement System were reviewed and revisions made, as appropriate (e.g., generational projection of post-decrement mortality).
- The assumed conditions for retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.
- The assumed rates of participation in the Plan and assumptions on healthcare claims were adjusted to reflect current experience.
- The assumed per capita costs of healthcare were updated, including assumptions related to healthcare costs between ages.
- The assumed rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The calculation of the unfunded actuarial accrued liability was changed to an open basis.



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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 the Broward College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 18, 2015, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2015-102.

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
March 18, 2015