

BROWARD COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012



BOARD OF TRUSTEES AND PRESIDENT

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

Sean C. Guerin, Chair
Sean C. Alveshire, Vice Chair
John A. Benz
Pamela Stephany from 11-03-11 (1)
Elizabeth A. Tonkin

J. David Armstrong, Jr., President

Note: (1) Position remained vacant from April 27, 2011,
through November 2, 2011.

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

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

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

**BROWARD COLLEGE
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements	18
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	36
Notes to Required Supplementary Information	37
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Internal Control Over Financial Reporting.....	38
Compliance and Other Matters.....	39

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

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

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 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, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Broward College and of its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Broward College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.

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

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

Respectfully submitted,



David W. Martin, CPA
January 28, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2012, and its component unit, Broward College Foundation, Inc. (Foundation), for the fiscal year ended December 31, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2012, and June 30, 2011, and its component unit, Broward College Foundation, Inc., for the fiscal years ended December 31, 2011, and December 31, 2010.

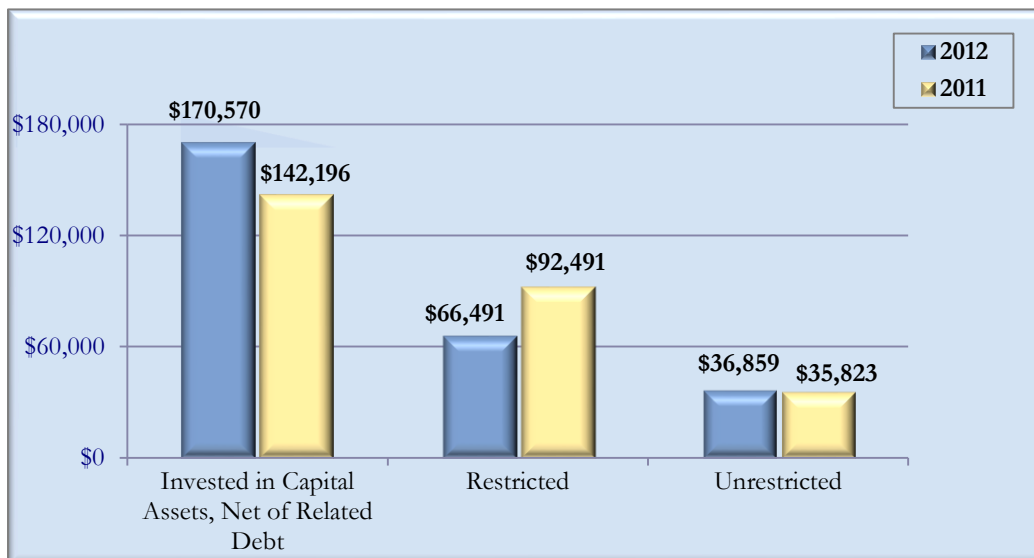
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$338.8 million at June 30, 2012. This balance reflects a \$12.5 million, or 3.8 percent, increase as compared to the 2010-11 fiscal year. While assets grew, liabilities increased by a lesser amount of \$9 million, or 16.2 percent, totaling \$64.9 million at June 30, 2012, compared to \$55.9 million at June 30, 2011. As a result, the College’s net assets increased by \$3.4 million, resulting in a year-end balance of \$273.9 million.

The College’s operating revenues totaled \$77 million for the 2011-12 fiscal year, representing a 2.1 percent increase over the 2010-11 fiscal year, due mainly to increases in student tuition and fees and nongovernmental grants and contracts. Operating expenses totaled \$258.3 million for the 2011-12 fiscal year, representing an increase of 0.6 percent as compared to the 2010-11 fiscal year.

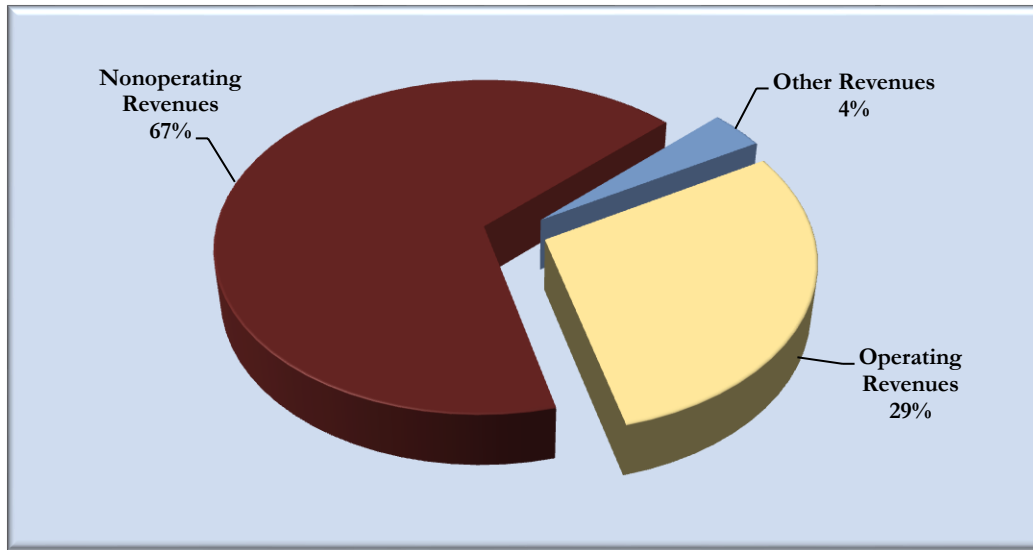
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

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



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include activities for the following entities:

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

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College’s finances is, “Is Broward College as a whole, better or worse off as a result of the year’s activities?” The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Broward College’s operating results.

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

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

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

Condensed Statement of Net Assets at (In Thousands)				
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-12</u>	<u>6-30-11</u>	<u>12-31-11</u>	<u>12-31-10</u>
Assets				
Current Assets	\$ 86,282	\$ 101,817	\$ 907	\$ 750
Capital Assets, Net	190,384	161,433		
Other Noncurrent Assets	<u>62,149</u>	<u>63,114</u>	<u>64,143</u>	<u>69,770</u>
Total Assets	<u>338,815</u>	<u>326,364</u>	<u>65,050</u>	<u>70,520</u>
Liabilities				
Current Liabilities	28,301	21,210	502	402
Noncurrent Liabilities	<u>36,594</u>	<u>34,643</u>		
Total Liabilities	<u>64,895</u>	<u>55,853</u>	<u>502</u>	<u>402</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	170,570	142,196		
Restricted	66,491	92,491	56,975	62,637
Unrestricted	<u>36,859</u>	<u>35,823</u>	<u>7,573</u>	<u>7,481</u>
Total Net Assets	<u>\$ 273,920</u>	<u>\$ 270,510</u>	<u>\$ 64,548</u>	<u>\$ 70,118</u>
Increase (Decrease) in Net Assets	<u>\$ 3,410</u>	1.3%	<u>\$ (5,570)</u>	-7.9%

Total net assets of the College increased by \$3.4 million, or 1.3 percent. This increase in the College's net assets was the result of the following factors:

- Invested in capital assets, net of related debt increased \$28.4 million, or 20 percent, due to purchases of the Cypress Creek Administration Building and land in Miramar, Florida, and various construction projects in progress.
- Restricted net assets decreased by \$26 million, or 28.1 percent, due mainly to the use of restricted resources for the construction projects noted above.

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

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

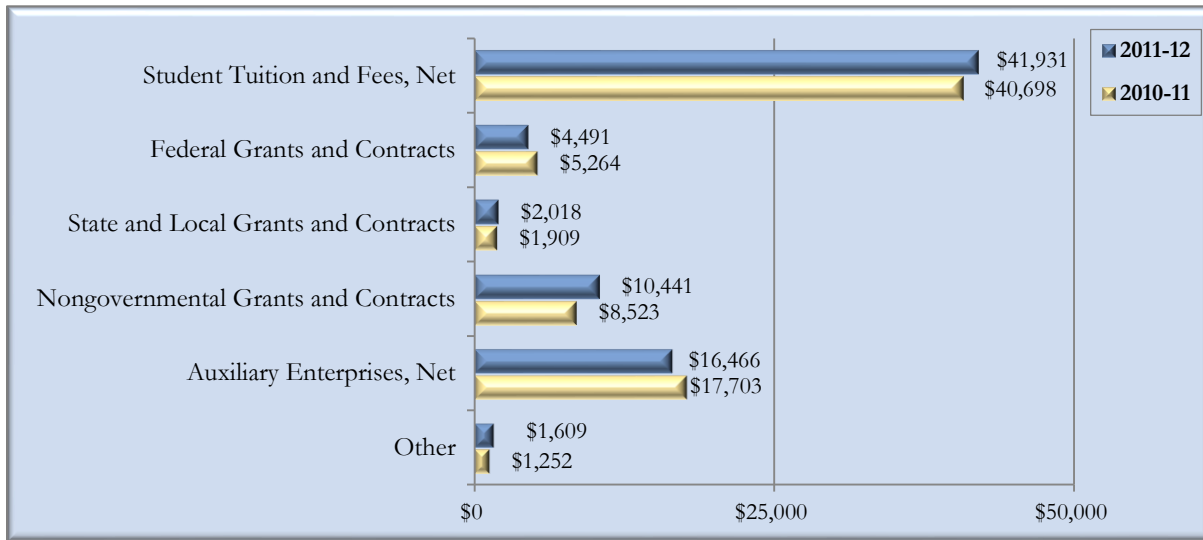
	College		Component Unit	
	6-30-12	6-30-11	12-31-11	12-31-10
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 41,931	\$ 40,698	\$	\$
Federal Grants and Contracts	4,491	5,264		
State and Local Grants and Contracts	2,018	1,909		
Nongovernmental Grants and Contracts	10,441	8,523		
Auxiliary Enterprises, Net of Scholarship Allowances	16,466	17,703		
Other Operating Revenues	1,609	1,252	3,343	2,648
Total Operating Revenues	76,956	75,349	3,343	2,648
Less, Operating Expenses	258,318	256,845	6,101	6,708
Operating Loss	(181,362)	(181,496)	(2,758)	(4,060)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	70,984	72,608		
Interest on Capital Asset-Related Debt	(956)	(1,037)		
Other Nonoperating Revenues (Expenses)	105,062	110,599	(2,812)	7,982
Net Nonoperating Revenues (Expenses)	175,090	182,170	(2,812)	7,982
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
State Capital Appropriations	(6,272)	674	(5,570)	3,922
Capital Grants, Contracts, Gifts, and Fees	2,917	12,706		
Additions to Permanent Endowments	6,751	6,342		
	14	17		
Increase (Decrease) in Net Assets	3,410	19,739	(5,570)	3,922
Net Assets, Beginning of Year	270,510	250,771	70,118	66,196
Net Assets, End of Year	\$ 273,920	\$ 270,510	\$ 64,548	\$ 70,118

Operating Revenues

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

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

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



College operating revenues increased by \$1.6 million, or 2.1 percent. Significant changes were the result of the following factors:

- Gross student tuition and fees increased \$5.4 million due to a tuition increase of 6 percent over the prior fiscal year, offset by scholarship allowances which increased by \$4.2 million, resulting in a net tuition and fees increase of \$1.2 million.
- Nongovernmental grants and contracts increased \$1.9 million, or 22.5 percent, due mainly to revenue from a new aviation training contract and increases in funds provided to the College by the Broward College Foundation, Inc.

Operating Expenses

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

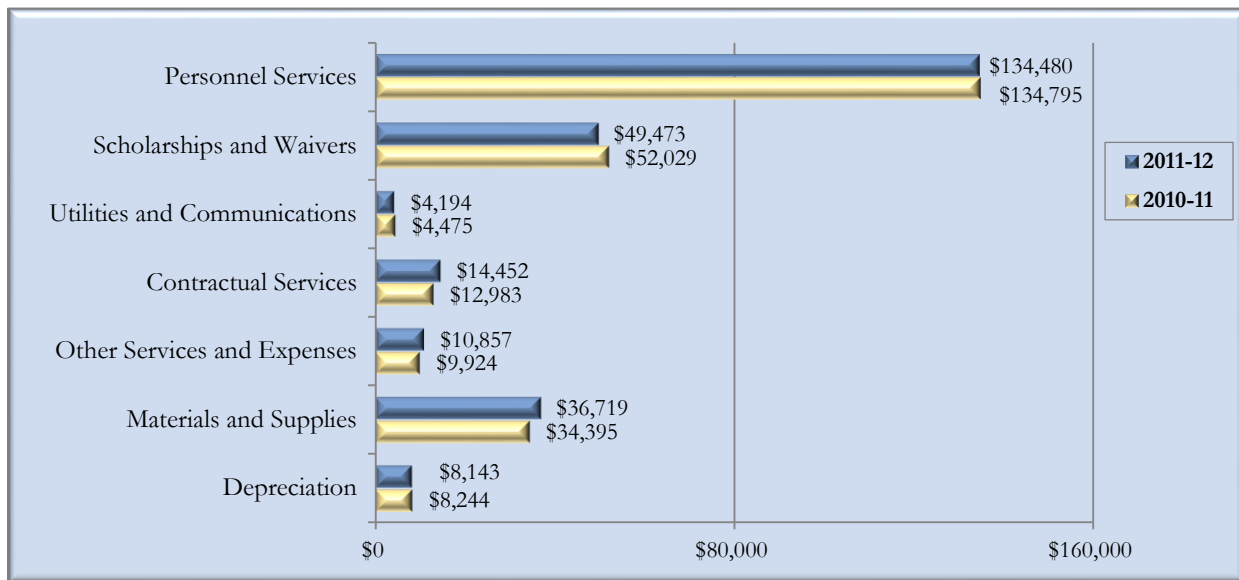
Operating expenses for the College and its component unit for the respective fiscal years are presented in the following table:

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

	College		Component Unit	
	6-30-12	6-30-11	12-31-11	12-31-10
Operating Expenses				
Personnel Services	\$ 134,480	\$ 134,795	\$	\$
Scholarships and Waivers	49,473	52,029		
Utilities and Communications	4,194	4,475		
Contractual Services	14,452	12,983		
Other Services and Expenses	10,857	9,924	6,101	6,708
Materials and Supplies	36,719	34,395		
Depreciation	8,143	8,244		
Total Operating Expenses	\$ 258,318	\$ 256,845	\$ 6,101	\$ 6,708

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

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



College operating expense increased by \$1.5 million, or 0.6 percent, over the prior fiscal year. Significant changes were the result of the following factors:

- Gross scholarships and waivers increased \$1.6 million; however, this was offset by scholarship allowances which increased \$4.2 million, resulting in a net decrease of \$2.6 million, or 4.9 percent.
- Contractual services increased \$1.5 million, or 11.3 percent, mainly due to an increase in information technology service contracts.
- Materials and supplies increased \$2.3 million, or 6.8 percent, mainly due to increased bookstore purchases for resale.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating

expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Noncapital Appropriations	\$ 70,984	\$ 72,608
Federal and State Student Financial Aid	103,503	103,442
Gifts and Grants		5,827
Investment Income	975	1,330
Net Gain (Loss) on Investments	416	(45)
Other Nonoperating Revenues	168	45
Interest on Capital Asset-Related Debt	(956)	(1,037)
Net Nonoperating Revenues	\$ 175,090	\$ 182,170

Nonoperating revenues decreased by \$7.1 million, or 3.9 percent, as compared to the prior fiscal year. Significant changes were the result of the following factors:

- State noncapital appropriations decreased by \$1.6 million, or 2.2 percent, mainly due to a reduction in College Program Fund revenues.
- Gifts and grants decreased by \$5.8 million over the prior fiscal year due to the elimination of American Reinvestment and Recovery Act funding.

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 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	\$ 2,917	\$ 12,706
Capital Grants, Contracts, Gifts, and Fees	6,751	6,342
Additions to Permanent Endowments	14	17
Total	\$ 9,682	\$ 19,065

Other revenues decreased by \$9.4 million, or 49.2 percent, as compared to the prior fiscal year. Significant changes were the result of a decrease in State capital appropriations of \$9.8 million, or 77 percent, due mainly to a decrease in Public Education Capital Outlay (PECO) revenue.

THE STATEMENT OF CASH FLOWS

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

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

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

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

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (172,495)	\$ (172,756)
Noncapital Financing Activities	175,145	181,519
Capital and Related Financing Activities	(7,664)	3,992
Investing Activities	(4,607)	(22,466)
Net Decrease in Cash and Cash Equivalents	(9,621)	(9,711)
Cash and Cash Equivalents, Beginning of Year	66,900	76,611
Cash and Cash Equivalents, End of Year	\$ 57,279	\$ 66,900

Major sources of funds came from State noncapital appropriations (\$71 million), net student tuition and fees (\$42.3 million), and Federal and state student financial aid (\$103.1 million). Major uses of funds were for payments to employees (\$106.1 million), to suppliers (\$62.4 million), and for scholarships (\$49.5 million).

The College's overall cash and cash equivalents decreased by \$9.6 million, or 14.4 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Noncapital financing activities decreased \$6.4 million mainly due to the elimination of American Reinvestment and Recover Act funding.
- Capital and related financing activities decreased \$11.7 million mainly due to a reduction in PECO funding.
- Cash used by investing activities decreased \$17.9 million mainly due to the sale of United States Treasury strips. In addition, less investment purchases were made during the 2011-12 fiscal year as compared to the 2010-11 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$340.2 million in capital assets, less accumulated depreciation of \$149.8 million, for net capital assets of \$190.4 million. Depreciation charges for the current fiscal year totaled \$8.1 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 12,551	\$ 3,692
Construction in Progress	29,855	9,419
Buildings	248,320	243,293
Other Structures and Improvements	14,499	14,499
Furniture, Machinery, and Equipment	21,972	19,879
Assets Under Capital Leases	<u>12,976</u>	<u>12,976</u>
Total	<u>340,173</u>	<u>303,758</u>
Less, Accumulated Depreciation:		
Buildings	104,937	98,986
Other Structures and Improvements	13,741	13,589
Furniture, Machinery, and Equipment	18,251	17,397
Assets Under Capital Leases	<u>12,860</u>	<u>12,353</u>
Total Accumulated Depreciation	<u>149,789</u>	<u>142,325</u>
Capital Assets, Net	<u>\$ 190,384</u>	<u>\$ 161,433</u>

The College has \$13.4 million in major construction commitments at June 30, 2012, that include the following:

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

State appropriations together with local funds are expected to finance the construction and renovation of facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$20.2 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

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

	<u>2012</u>	<u>2011</u>
SBE Capital Outlay Bonds	\$ 3,270	\$ 3,690
Capital Improvement Revenue Bonds	16,550	17,275
Capital Leases	<u>376</u>	<u>1,207</u>
Total	<u>\$ 20,196</u>	<u>\$ 22,172</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2011-12 fiscal year, there were no bond sales and debt repayments totaled \$2 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Broward College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a small increase in State funding is anticipated in the 2012-13 fiscal year. Appropriately, the College has instituted a conservative budget for the 2012-13 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, Controller, Broward College, 225 East Las Olas Boulevard, Ft. Lauderdale, Florida 33301.

BASIC FINANCIAL STATEMENTS

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

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 33,479,170	\$ 734,370
Restricted Cash and Cash Equivalents	4,291,758	
Accounts Receivable, Net	5,201,779	148,460
Notes Receivable, Net	378,592	
Due from Other Governmental Agencies	38,231,094	
Due from Component Unit	842,261	
Inventories	3,358,637	
Prepaid Expenses	80,161	24,305
Deposits	418,820	
Total Current Assets	<u>86,282,272</u>	<u>907,135</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19,508,478	
Investments	27,875,343	64,143,009
Restricted Investments	14,764,535	
Depreciable Capital Assets, Net	147,978,103	
Nondepreciable Capital Assets	42,405,906	
Total Noncurrent Assets	<u>252,532,365</u>	<u>64,143,009</u>
TOTAL ASSETS	<u>\$ 338,814,637</u>	<u>\$ 65,050,144</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,477,989	\$ 502,093
Salary and Payroll Taxes Payable	1,950,421	
Retainage Payable	1,817,161	
Due to Other Governmental Agencies	303,954	
Deferred Revenue	7,453,574	
Estimated Insurance Claims Payable	9,291,592	
Deposits Held for Others	2,757,694	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,190,000	
Capital Leases Payable	299,818	
Compensated Absences Payable	758,766	
Total Current Liabilities	<u>28,300,969</u>	<u>502,093</u>
Noncurrent Liabilities:		
Bonds Payable	18,630,000	
Capital Leases Payable	76,269	
Compensated Absences Payable	11,354,773	
Other Postemployment Benefits Payable	6,532,901	
Total Noncurrent Liabilities	<u>36,593,943</u>	
TOTAL LIABILITIES	<u>64,894,912</u>	<u>502,093</u>

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 170,570,241	\$
Restricted:		
Nonexpendable:		
Endowment	1,044,977	35,321,265
Expendable:		
Grants and Loans	5,303,179	
Scholarships	833,674	21,654,022
Capital Projects	58,890,334	
Debt Service	418,687	
Unrestricted	36,858,633	7,572,764
Total Net Assets	273,919,725	64,548,051
TOTAL LIABILITIES AND NET ASSETS	\$ 338,814,637	\$ 65,050,144

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$54,082,130	\$ 41,931,362	\$
Federal Grants and Contracts	4,490,631	
State and Local Grants and Contracts	2,018,329	
Nongovernmental Grants and Contracts	10,441,094	
Auxiliary Enterprises, Net of Scholarship Allowances of \$8,392,676	16,465,837	
Other Operating Revenues	1,608,834	3,342,930
Total Operating Revenues	76,956,087	3,342,930
EXPENSES		
Operating Expenses:		
Personnel Services	134,480,374	
Scholarships and Waivers	49,472,958	
Utilities and Communications	4,193,687	
Contractual Services	14,451,919	
Other Services and Expenses	10,857,047	6,101,371
Materials and Supplies	36,718,686	
Depreciation	8,143,267	
Total Operating Expenses	258,317,938	6,101,371
Operating Loss	(181,361,851)	(2,758,441)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	70,984,073	
Federal and State Student Financial Aid	103,502,323	
Investment Income	975,177	1,450,655
Net Gain (Loss) on Investments	415,566	(4,262,410)
Other Nonoperating Revenues	168,170	
Interest on Capital Asset-Related Debt	(955,683)	
Net Nonoperating Revenues (Expenses)	175,089,626	(2,811,755)
Loss Before Other Revenues, Expenses, Gains, or Losses	(6,272,225)	(5,570,196)
State Capital Appropriations	2,916,776	
Capital Grants, Contracts, Gifts, and Fees	6,751,190	
Additions to Permanent Endowments	13,590	
Total Other Revenues	9,681,556	
Increase (Decrease) in Net Assets	3,409,331	(5,570,196)
Net Assets, Beginning of Year	270,510,394	70,118,247
Net Assets, End of Year	\$ 273,919,725	\$ 64,548,051

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, 2012

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 42,263,564
Grants and Contracts	15,664,940
Payments to Suppliers	(62,404,228)
Payments for Utilities and Communications	(4,193,687)
Payments to Employees	(106,148,826)
Payments for Employee Benefits	(26,189,293)
Payments for Scholarships	(49,472,958)
Loans Issued to Students	(9,371,839)
Collection on Loans to Students	9,282,792
Auxiliary Enterprises, Net	16,465,870
Other Receipts	1,608,834
	(172,494,831)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	70,984,073
Federal and State Student Financial Aid	103,067,881
Federal Direct Loan Program Receipts	33,125,286
Federal Direct Loan Program Disbursements	(33,125,286)
Private Gifts for Endowment Purposes	13,590
Other Nonoperating Receipts	1,079,889
	175,145,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	24,712,107
Capital Grants and Gifts	6,751,190
Purchases of Capital Assets	(36,194,697)
Principal Paid on Capital Debt and Leases	(1,976,372)
Interest Paid on Capital Debt and Leases	(955,683)
	(7,663,455)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	12,178,174
Purchase of Investments	(17,880,128)
Investment Income	1,094,502
	(4,607,452)
Net Decrease in Cash and Cash Equivalents	(9,620,305)
Cash and Cash Equivalents, Beginning of Year	66,899,711
Cash and Cash Equivalents, End of Year	\$ 57,279,406

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (181,361,851)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,143,267
Changes in Assets and Liabilities:	
Receivables, Net	(826,195)
Due from Other Governmental Agencies	(687,494)
Inventories	(462,681)
Prepaid Expenses	103,024
Other Assets	53,670
Accounts Payable	(176,986)
Salaries and Wages Payable	(192,958)
Deferred Revenue	(458,248)
Deposits Held for Others	(197,318)
Compensated Absences Payable	2,042,855
Other Postemployment Benefits Payable	1,526,084
NET CASH USED BY OPERATING ACTIVITIES	\$ (172,494,831)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 415,566

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Broward College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2011.

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

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

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

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is

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

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

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

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

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

At June 30, 2012, the College reported as cash equivalents at fair value \$345,279 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 and had an effective duration of 2.38 years at June 30, 2012. 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, 2012, the College reported as cash equivalents \$29,602,229 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of

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

floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

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

2. INVESTMENTS

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

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

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

The College's investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 647,504
State Board of Administration Debt Service Accounts	77,713
Mutual Funds	<u>41,914,661</u>
Total College Investments	<u>\$ 42,639,878</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, 2012, the College reported investments at fair value of \$647,504 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$77,713 at June 30, 2012, 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.

Other Investments

The College's other investments at June 30, 2012, consisted of mutual funds totaling \$41,914,661. The following risks apply to these investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy requires that the maximum effective maturity of an individual

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

security shall be five years from the date of purchase. The College's investments in mutual funds have portfolios with average durations of 2.3 years to 5 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, 2012 had portfolios with investments having an average credit quality of between AAA and BBB.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College's investment policy provides that securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College's \$41,914,661 of 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, 2011, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Marketable Securities Equities:	
Foreign	\$ 17,159,509
Domestic	14,845,711
Other:	
Alternate Investments	16,095,643
Fixed Income	15,066,917
Money Market Funds	<u>975,229</u>
Total Component Unit Investments	<u>\$ 64,143,009</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, salary overpayments, returned checks, unused credit memos, and returns in transit. These receivables are reported net of a \$497,138 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 \$4,234,803 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$24,998,802 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$8,510,052 of PELL funds due for the student financial aid program.

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

6. DUE FROM COMPONENT UNIT

The College reported a due from component unit of \$842,261, 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, 2012. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2011. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, no amount is reported for the component unit as a payable to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore and office and educational supplies maintained in the central warehouse. The bookstore inventories are valued using the last invoice costs, which approximates the first-in, first-out, method of inventory valuation. The central stores inventory is valued using 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, 2012, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 3,692,517	\$	\$ 8,858,596	\$	\$ 12,551,113
Construction in Progress	9,418,461		20,436,332		29,854,793
Total Nondepreciable Capital Assets	\$ 13,110,978	\$	\$ 29,294,928	\$	\$ 42,405,906
Depreciable Capital Assets:					
Buildings	\$ 243,292,997	\$	\$ 5,027,364	\$	\$ 248,320,361
Other Structures and Improvements	14,499,592				14,499,592
Furniture, Machinery, and Equipment	19,878,973	25,801	2,825,613	758,356	21,972,031
Assets Under Capital Lease	12,975,539				12,975,539
Total Depreciable Capital Assets	290,647,101	25,801	7,852,977	758,356	297,767,523
Less, Accumulated Depreciation:					
Buildings	98,985,720		5,951,804		104,937,524
Other Structures and Improvements	13,588,993		151,767		13,740,760
Furniture, Machinery, and Equipment	17,397,484	67,755	1,532,819	746,640	18,251,418
Assets Under Capital Lease	12,352,841		506,877		12,859,718
Total Accumulated Depreciation	142,325,038	67,755	8,143,267	746,640	149,789,420
Total Depreciable Capital Assets, Net	\$ 148,322,063	\$ (41,954)	\$ (290,290)	\$ 11,716	\$ 147,978,103

Note: (1) Adjustments relate to prior year corrections to equipment listing.

9. GRAVES MUSEUM ARTIFACTS

On March 28, 2005, the United States Bankruptcy Court named Broward College recipient of the Graves Museum of Archaeology and Natural History Collection. Out of 20 major collections and 38 small collections of

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

donated assets, approximately 71 percent have been fully cataloged and all artifacts have been photographed. The College will take several more years to fully catalog the entire collection. While the collection is undoubtedly quite valuable and irreplaceable, the College has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

10. DEFERRED REVENUE

Deferred revenue of \$7,453,574 includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

11. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 20,965,000	\$	\$ 1,145,000	\$ 19,820,000	\$ 1,190,000
Capital Leases Payable	1,207,459		831,372	376,087	299,818
Compensated Absences Payable	10,070,684	4,477,680	2,434,825	12,113,539	758,766
Other Postemployment Benefits Payable	5,006,817	2,048,871	522,787	6,532,901	
Total Long-Term Liabilities	\$ 37,249,960	\$ 6,526,551	\$ 4,933,984	\$ 38,842,527	\$ 2,248,584

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, Series 2005B.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The 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 participating colleges on a parity with the outstanding 2008A bonds and 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. These bonds will share the lien of such additional bonds on the 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 structure at the College's Central Campus.

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

The College had the following bonds payable at June 30, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds: Series 2005B	\$ 3,270,000	5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds: Series 2008A	<u>16,550,000</u>	3.4 - 5.0	2028
Total	<u>\$ 19,820,000</u>		

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

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2013	\$ 1,190,000	\$ 882,909	\$ 2,072,909
2014	1,240,000	832,784	2,072,784
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
2018-2022	5,790,000	2,461,281	8,251,281
2023-2027	6,140,000	1,206,481	7,346,481
2028	<u>1,405,000</u>	<u>66,737</u>	<u>1,471,737</u>
Total	<u>\$ 19,820,000</u>	<u>\$ 7,620,964</u>	<u>\$ 27,440,964</u>

In prior years, portions of the SBE Capital Outlay Bonds, Series 1998A and 2000A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College's statement of net assets. As of June 30, 2012, \$2,425,000 of SBE Capital Outlay Bonds, Series 1998A, and \$985,000 of SBE Capital Outlay Bonds, Series 2000A, are considered defeased in-substance.

Capital Leases Payable. In April 1997, energy management equipment in the amount of \$12,975,539 was acquired under several capital lease agreements. The stated interest rates range from 3.29 to 3.61 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

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

Fiscal Year Ending June 30	Amount
2013	\$ 306,598
2014	77,077
Total Minimum Payments	383,675
Less, Amount Representing Interest	7,588
Present Value of Minimum Payments	\$ 376,087

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$12,113,539. The current portion of the compensated absences liability, \$758,766, is the amount estimated based upon the average of the projected terminal leave payouts calculated from the first projection year from the calculation of the compensated absence 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 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 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 2011-12 fiscal year, 102 retirees received other postemployment benefits. The College provided required contributions of \$522,787

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

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 \$681,397.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 1,232,423
Amortization of Unfunded Actuarial Accrued Liability	<u>808,745</u>
Annual Required Contribution	2,041,168
Interest on Net OPEB Obligation	200,273
Adjustment to Annual Required Contribution	<u>(192,570)</u>
Annual OPEB Cost (Expense)	2,048,871
Contribution Toward the OPEB Cost	<u>(522,787)</u>
Increase in Net OPEB Obligation	1,526,084
Net OPEB Obligation, Beginning of Year	<u>5,006,817</u>
Net OPEB Obligation, End of Year	<u><u>\$ 6,532,901</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 1,693,960	12.6%	\$ 3,653,884
2010-11	1,787,278	24.3%	5,006,817
2011-12	2,048,871	25.5%	6,532,901

Funded Status and Funding Progress. As of October 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$20,619,034, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$20,619,034 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$69,895,770 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 29.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

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

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

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

The College's OPEB actuarial valuation as of October 1, 2011, used the entry age normal cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. This method was selected because it was the most common method used for governmental pension valuation and spreads the costs evenly throughout the collective careers of those in the covered workforce. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 25 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), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there

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

is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

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

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$5,442,853, \$6,093,599, and \$4,156,025, respectively, which were equal to the required contributions for each fiscal year.

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

There were 265 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,017,764, which was equal to the required contribution for the 2011-12 fiscal year.

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

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

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

There were 180 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled \$938,764 and employee contributions totaled \$380,192 for the 2011-12 fiscal year.

13. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Central Campus:			
Institute of Public Safety Building 22 Remodel	\$ 14,282,939	\$ 11,290,482	\$ 2,992,457
Building 6 Classroom Renovation	9,825,154	8,516,368	1,308,786
Building 8 Renovation	8,481,517	1,322,643	7,158,874
South Campus:			
Building 72 Renovation	10,630,561	8,725,300	1,905,261
Total	\$ 43,220,171	\$ 29,854,793	\$ 13,365,378

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

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million to February 29, 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, 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 \$225,000 per insured person through December 2011, then \$250,000 from January 2012. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$9,291,592 as of June 30, 2012. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2012, totaled \$6,996,279 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2010-11	\$ 10,019,389	\$ 12,868,923	\$ (12,612,610)	\$ 10,275,702
2011-12	10,275,702	12,785,015	(13,769,125)	9,291,592

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

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

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 77,939,061
Public Services	1,396,196
Academic Support	20,763,309
Student Services	23,488,801
Institutional Support	29,045,745
Operation and Maintenance of Plant	26,253,145
Scholarships and Waivers	49,472,958
Depreciation	8,143,267
Auxiliary Enterprises	21,815,456
Total Operating Expenses	\$ 258,317,938

16. FISCAL AGENT FOR THE HIGHER EDUCATION TECHNOLOGY GROUP

Effective July 1, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from HETGroup and for certain personnel functions. For the 2011-12 fiscal year, HETGroup revenues and expenditures totaled \$2,975,038 and \$2,732,752, respectively, and are reported as operating nongovernmental grants and contracts and operating expenditures, respectively, on the statement of revenues, expenses, and changes in net assets. At June 30, 2012, net assets of HETGroup totaling \$1,950,697 are held in the College's Current Restricted Fund.

17. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To

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

meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Assets

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 39,407,628
Accounts Receivable, Net	5,134,144
Due from Other Governmental Agencies	1,252,041
Due from Component Unit	12,124
Inventories	3,358,637
Prepaid Expenses	70,633
Deposits	409,292
Noncurrent Assets:	
Investments	<u>25,764,765</u>
TOTAL ASSETS	<u>\$ 75,409,264</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 1,863,624
Salary and Payroll Taxes Payable	1,860,453
Retainage Payable	44,419
Due to Other Governmental Agencies	287,971
Deferred Revenue	5,872,103
Estimated Insurance Claims Payable	9,291,592
Deposits Held for Others	684,029
Compensated Absences Payable	<u>758,766</u>
Total Current Liabilities	<u>20,662,957</u>
Noncurrent Liabilities:	
Compensated Absences Payable	11,354,773
Other Postemployment Benefits Payable	<u>6,532,901</u>
TOTAL LIABILITIES	<u>38,550,631</u>
TOTAL NET ASSETS	<u>36,858,633</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,409,264</u>

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

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$54,082,130	\$ 31,700,372
Grants and Contracts	3,317,984
Auxiliary Enterprises, Net of Scholarship Allowances of \$8,392,676	16,465,837
Other Operating Revenues	<u>1,396,108</u>
Total Operating Revenues	<u>52,880,301</u>

EXPENSES

Operating Expenses:

Personnel Services	125,135,469
Scholarships and Waivers	112,982
Utilities and Communications	4,116,002
Contractual Services	12,042,848
Other Services and Expenses	7,120,246
Materials and Supplies	<u>26,818,721</u>
Total Operating Expenses	<u>175,346,268</u>
Operating Loss	<u>(122,465,967)</u>

NONOPERATING REVENUES

State Noncapital Appropriations	70,389,659
Investment Income	1,054,705
Other Nonoperating Revenues	<u>154,605</u>
Net Nonoperating Revenues	<u>71,598,969</u>

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

Transfers to/from Other Funds	<u>51,902,885</u>
Increase in Net Assets	1,035,887
Net Assets, Beginning of Year	<u>35,822,746</u>
Net Assets, End of Year	<u>\$ 36,858,633</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2007	\$	\$ 19,439,651	\$ 19,439,651	0%	\$ 61,198,715	31.8%
10/1/2009		18,692,337	18,692,337	0%	63,329,742	29.5%
10/1/2011		20,619,034	20,619,034	0%	69,895,770	29.5%

Note: (1) The College's OPEB actuarial valuation used the entry age normal cost actuarial 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 October 1, 2011, unfunded actuarial accrued liability of \$20,619,034 was higher than the October 1, 2009, liability of \$18,692,337 as a result of an increase in the covered payroll of \$6,566,028, or 10.4 percent.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of Broward College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 28, 2013