

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

Financial Audit

For the Fiscal Year Ended
June 30, 2014



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	<u>County</u>
Dr. Craig A. Trigueiro, Vice Chair to 9-9-13, Chair from 9-10-13 (1)	Manatee
Edward A. Bailey, Vice Chair from 9-10-13	Manatee
Carlos M. Beruff, Chair to 9-9-13	Manatee
Marlen J. Hager	Manatee
Ann Y. Moore (1)	Sarasota
Lori A. Moran	Sarasota
Charlene J. Neal	Manatee
Eric Robinson	Sarasota
Robert A. Wyatt from 3-24-14 (2)	Sarasota

Dr. Carol Probstfeld, President

- Notes: (1) Board member served beyond the end of term, May 31, 2014.
(2) Position remained vacant from July 1, 2013, through March 23, 2014.

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

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

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether State College of Florida, Manatee-Sarasota and its officers with administrative and stewardship responsibilities for College operations had:

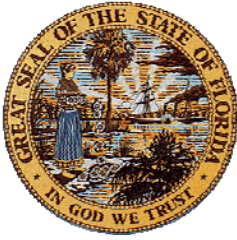
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2015-040.

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: 850-412-2722
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

Report on the Financial Statements

We have audited the accompanying financial statements of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of State College of Florida, Manatee-Sarasota and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of State College of Florida, Manatee-Sarasota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State College of Florida, Manatee-Sarasota's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 13, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit, State College of Florida Foundation, Inc., for the fiscal years ended September 30, 2013, and September 30, 2012.

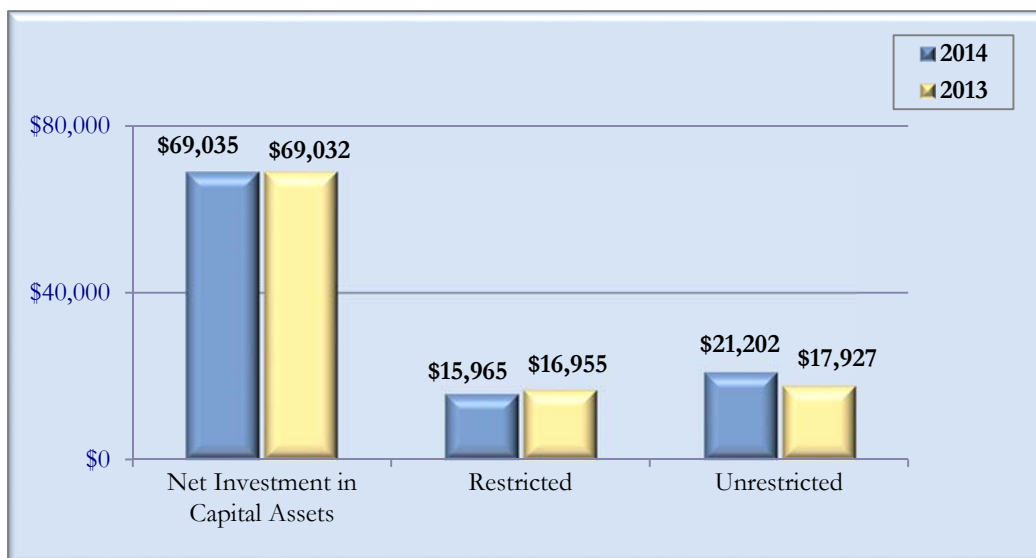
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$113.1 million at June 30, 2014. This balance reflects a \$2.5 million, or 2.2 percent, increase as compared to the 2012-13 fiscal year, resulting primarily to an increase in nonoperating gifts and grants and Public Education Capital Outlay (PECO) appropriations for the 2013-14 fiscal year. Liabilities increased by \$0.2 million, or 2.8 percent, totaling \$6.9 million at June 30, 2014, as compared to \$6.7 million at June 30, 2013. As a result, the College’s net position increased by \$2.3 million, resulting in a year-end balance of \$106.2 million.

The College’s operating revenues totaled \$24 million for the 2013-14 fiscal year, a decrease of \$2.6 million, representing a 9.7 percent decrease as compared to the 2012-13 fiscal year. This decrease was primarily due to a \$2.1 million decrease in operating grants and contracts. Operating expenses totaled \$72.4 million for the 2013-14 fiscal year, remaining relatively unchanged from the 2012-13 fiscal year.

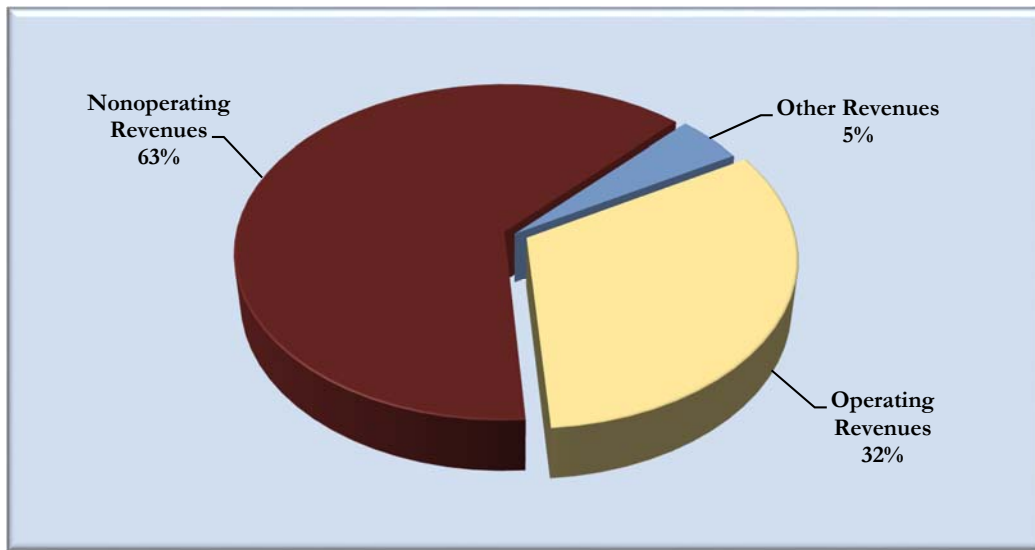
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET POSITION

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	9-30-13	9-30-12
Assets				
Current Assets	\$ 34,092	\$ 29,876	\$ 4,500	\$ 4,632
Capital Assets, Net	69,444	69,658	1	2
Other Noncurrent Assets	9,584	11,109	44,381	38,538
Total Assets	<u>113,120</u>	<u>110,643</u>	<u>48,882</u>	<u>43,172</u>
Liabilities				
Current Liabilities	3,480	2,840	207	246
Noncurrent Liabilities	3,438	3,889		
Total Liabilities	<u>6,918</u>	<u>6,729</u>	<u>207</u>	<u>246</u>
Net Position				
Net Investment in Capital Assets	69,035	69,032	1	2
Restricted	15,965	16,955	42,548	36,984
Unrestricted	21,202	17,927	6,126	5,940
Total Net Position	<u>\$ 106,202</u>	<u>\$ 103,914</u>	<u>\$ 48,675</u>	<u>\$ 42,926</u>

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

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	9-30-13	9-30-12
Operating Revenues	\$ 24,017	\$ 26,599	\$ 3,103	\$ 2,309
Less, Operating Expenses	72,408	72,649	2,832	3,185
Operating Income (Loss)	(48,391)	(46,050)	271	(876)
Net Nonoperating Revenues	47,309	44,056	5,478	6,104
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,082)	(1,994)	5,749	5,228
Other Revenues	3,370	2,417		
Net Increase In Net Position	2,288	423	5,749	5,228
Net Position, Beginning of Year	103,914	103,491	42,926	37,698
Net Position, End of Year	<u>\$ 106,202</u>	<u>\$ 103,914</u>	<u>\$ 48,675</u>	<u>\$ 42,926</u>

Operating Revenues

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

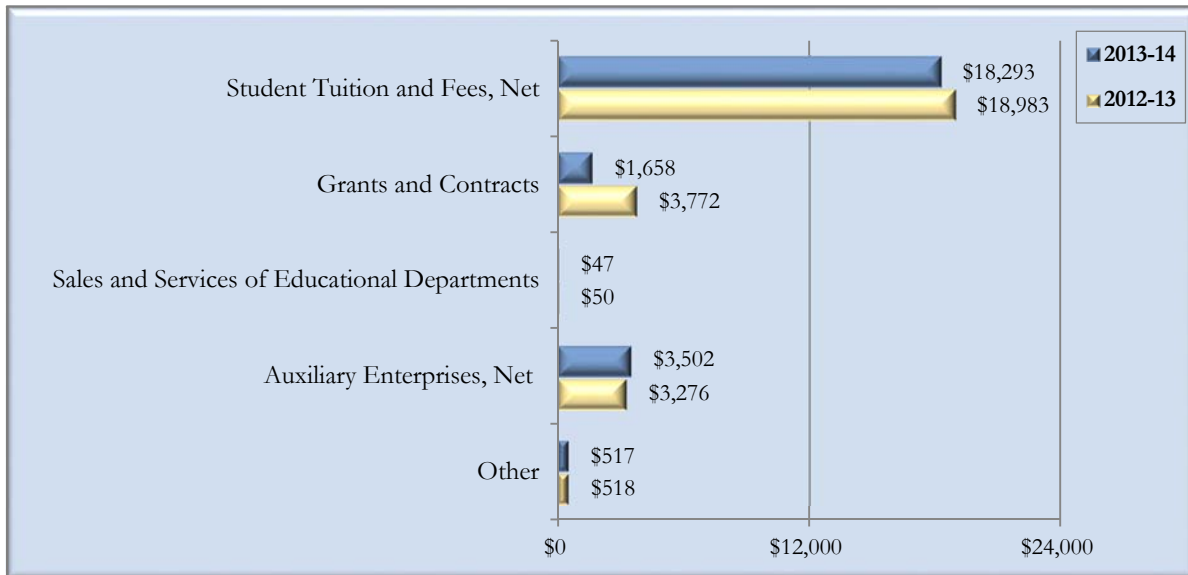
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	9-30-13	9-30-12
Student Tuition and Fees, Net	\$ 18,293	\$ 18,983	\$	\$
Grants and Contracts	1,658	3,772	2,718	1,884
Sales and Services of Educational Departments	47	50		
Auxiliary Enterprises, Net	3,502	3,276		
Other	517	518	385	425
Total Operating Revenues	\$ 24,017	\$ 26,599	\$ 3,103	\$ 2,309

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

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



College operating revenue decreased \$2.6 million primarily due to a \$2.1 million decrease in operating grants and contracts.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting

operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

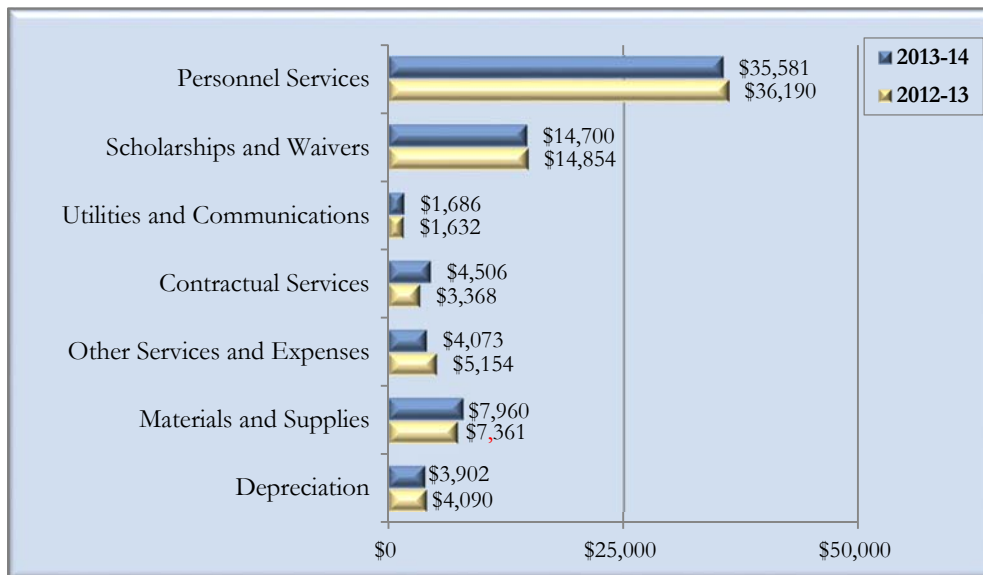
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	9-30-13	9-30-12
Personnel Services	\$ 35,581	\$ 36,190	\$ 429	\$ 480
Scholarships and Waivers	14,700	14,854	1,466	1,318
Utilities and Communications	1,686	1,632		
Contractual Services	4,506	3,368	128	76
Other Services and Expenses	4,073	5,154	787	1,288
Materials and Supplies	7,960	7,361	21	22
Depreciation	3,902	4,090	1	1
Total Operating Expenses	\$ 72,408	\$ 72,649	\$ 2,832	\$ 3,185

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

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



College operating expenses did not significantly change from the 2012-13 fiscal year to the 2013-14 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Noncapital Appropriations	\$ 22,330	\$ 21,421
Federal and State Student Financial Aid	21,634	22,478
Gifts and Grants	3,290	
Investment Income, Net	70	112
Other Nonoperating Revenues	12	103
Loss on Disposal of Capital Assets	(3)	(15)
Interest on Capital Asset-Related Debt	(22)	(31)
Other Nonoperating Expenses	(2)	(12)
Net Nonoperating Revenues	\$ 47,309	\$ 44,056

Overall, nonoperating revenues increased by \$3.3 million, or 7.4 percent, primarily due to a \$3.3 million increase in nonoperating gifts and grants.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	\$ 1,533	\$ 525
Capital Grants, Contracts, Gifts, and Fees	1,837	1,892
Total	\$ 3,370	\$ 2,417

State capital appropriations increased by \$1 million, or 192 percent, over the previous fiscal year as a result of an increase in PECO appropriations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College’s financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

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

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (44,712)	\$ (40,409)
Noncapital Financing Activities	46,933	42,826
Capital and Related Financing Activities	(24)	2,000
Investing Activities	116	155
Net Increase in Cash and Cash Equivalents	2,313	4,572
Cash and Cash Equivalents, Beginning of Year	33,704	29,132
Cash and Cash Equivalents, End of Year	\$ 36,017	\$ 33,704

Major sources of cash inflows came from State noncapital appropriations (\$22.3 million), Federal and State student financial aid (\$21.6 million), net student tuition and fees (\$17.8 million), and Federal Direct Student Loan program receipts (\$16.5 million). Major uses of cash were for payments to employees (\$28.7 million), disbursements to students for Federal Direct Student Loans (\$16.5 million), payments to suppliers (\$15.8 million), payments for scholarships (\$14.7 million), and payments for employee benefits (\$7 million).

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

- The \$4.3 million increase in net cash used by operating activities is primarily the results of a decrease in grants and contracts (\$3.3 million) and student tuition and fees revenue (\$1.5 million) due to a decrease in student enrollments, offset by a decrease in payments to employees (\$0.6 million).
- The \$4.1 million increase in net cash provided by noncapital financing activities is primarily the results of a \$3 million increase in cash provided by noncapital gifts and grants and a \$1 million decrease in other nonoperating disbursements resulting from the payoff of long-term debt (note payable) in the prior fiscal year.
- The \$2 million increase in net cash used by capital and related financing activities can be primarily attributed to an increase in the purchase or construction of capital assets, including the new academic classroom and faculty office building on the Bradenton campus.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2014, the College had \$124.3 million in capital assets, less accumulated depreciation of \$54.9 million, for net capital assets of \$69.4 million. Depreciation charges for the current fiscal year totaled \$3.9 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,113	\$ 2,113
Artwork and Artifacts	40	40
Construction in Progress	3,828	756
Buildings	57,271	58,967
Other Structures and Improvements	4,338	5,305
Furniture, Machinery, and Equipment	1,578	2,017
Assets Under Capital Lease	276	460
Capital Assets, Net	<u>\$ 69,444</u>	<u>\$ 69,658</u>

CAPITAL EXPENSES AND COMMITMENTS

During the 2013-14 fiscal year, the College had \$3.7 million in expenses for construction of the academic classroom and faculty office building on the Bradenton campus and other small projects. The College had \$6.9 million in construction commitments at June 30, 2014. The major construction project underway during the fiscal year was an academic classroom and faculty office building on the Bradenton Campus with commitments of \$5.8 million. An additional \$1.1 million was attributable to minor renovation and remodeling projects of the College. The College’s construction commitments at June 30, 2014, are as follows:

	<u>Amount (In Thousands)</u>
Total Committed	\$ 6,854
Completed to Date	<u>(3,828)</u>
Balance Committed	<u>\$ 3,026</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$0.4 million in long term capital lease debt outstanding versus \$0.6 million at the end of the prior year, representing a decrease of \$0.2 million, or 33.3 percent. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2014-15 fiscal year. In response to a desire to keep a college education affordable for students, the Board of Trustees did not increase the per credit hour rates for the 2014-15 fiscal year. The College has adjusted its 2014-15 financial and capital plans to accommodate this decision.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Business and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th Street West, Bradenton, Florida 34207.

BASIC FINANCIAL STATEMENTS

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 21,444,378	\$ 1,761,231
Restricted Cash and Cash Equivalents	5,016,648	
Accounts Receivable, Net	1,868,232	148,669
Due from Other Governmental Agencies	4,570,590	
Due from Component Unit	65,401	
Inventories	585,226	
Prepaid Expenses	541,977	11,783
Other Assets		<u>2,578,272</u>
Total Current Assets	<u>34,092,452</u>	<u>4,499,955</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,556,045	
Investments	28,415	
Restricted Investments		44,381,167
Depreciable Capital Assets, Net	63,463,077	1,249
Nondepreciable Capital Assets	<u>5,980,638</u>	
Total Noncurrent Assets	<u>79,028,175</u>	<u>44,382,416</u>
TOTAL ASSETS	<u>113,120,627</u>	<u>48,882,371</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,036,532	64,437
Salary and Payroll Taxes Payable	1,512,102	
Retainage Payable	300,207	
Due to Other Governmental Agencies	5,875	
Due to College		33,977
Unearned Revenue	46,583	108,711
Deposits Held for Others	407,373	
Long-Term Liabilities - Current Portion:		
Special Termination Benefits Payable	96,421	
Compensated Absences Payable	<u>74,512</u>	
Total Current Liabilities	<u>3,479,605</u>	<u>207,125</u>
Noncurrent Liabilities:		
Capital Lease Payable	408,730	
Special Termination Benefits Payable	103,695	
Compensated Absences Payable	2,592,439	
Other Postemployment Benefits Payable	<u>333,697</u>	
Total Noncurrent Liabilities	<u>3,438,561</u>	
TOTAL LIABILITIES	<u>6,918,166</u>	<u>207,125</u>

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

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 69,034,985	\$ 1,249
Restricted:		
Nonexpendable:		
Endowment		12,117,802
Expendable:		
Grants and Loans	3,181,027	13,535,417
Scholarships	309,265	16,894,665
Capital Projects	12,475,119	
Unrestricted	21,202,065	6,126,113
TOTAL NET POSITION	\$ 106,202,461	\$ 48,675,246

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$6,689,320	\$ 18,293,122	\$
Federal Grants and Contracts	728,011	
State and Local Grants and Contracts	363,897	40,704
Nongovernmental Grants and Contracts	565,919	2,676,849
Sales and Services of Educational Departments	47,469	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$1,302,774	3,501,506	
Other Operating Revenues	516,783	385,389
	24,016,707	3,102,942
EXPENSES		
Operating Expenses:		
Personnel Services	35,581,435	429,091
Scholarships and Waivers	14,699,610	1,466,337
Utilities and Communications	1,686,227	
Contractual Services	4,505,968	128,256
Other Services and Expenses	4,072,744	786,592
Materials and Supplies	7,959,932	20,876
Depreciation	3,901,870	891
	72,407,786	2,832,043
Operating Income (Loss)	(48,391,079)	270,899
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	22,330,478	
Federal and State Student Financial Aid	21,633,628	
Gifts and Grants	3,290,719	
Investment Income, Net	70,141	5,390,617
Other Nonoperating Revenues	12,024	87,483
Loss on Disposal of Capital Assets	(2,928)	
Interest on Capital Asset-Related Debt	(22,387)	
Other Nonoperating Expenses	(2,129)	
	47,309,546	5,478,100
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,081,533)	5,748,999
State Capital Appropriations	1,532,895	
Capital Grants, Contracts, Gifts, and Fees	1,837,300	
	3,370,195	
Total Other Revenues	3,370,195	
Increase in Net Position	2,288,662	5,748,999
Net Position, Beginning of Year	103,913,799	42,926,247
Net Position, End of Year	\$ 106,202,461	\$ 48,675,246

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 17,776,425
Grants and Contracts	1,510,609
Payments to Suppliers	(15,783,993)
Payments for Utilities and Communications	(1,686,227)
Payments to Employees	(28,721,988)
Payments for Employee Benefits	(6,986,831)
Payments for Scholarships	(14,699,610)
Auxiliary Enterprises, Net	3,513,207
Sales and Services of Educational Departments	47,469
Other Receipts	318,996
	(44,711,943)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	22,330,478
Federal and State Student Financial Aid	21,633,628
Federal Direct Loan Program Receipts	16,510,430
Federal Direct Loan Program Disbursements	(16,510,430)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,969,835
Other Nonoperating Disbursements	(1,177)
	46,932,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,763,404
Capital Grants and Gifts	1,837,300
Purchases of Capital Assets	(3,385,099)
Principal Paid on Capital Lease	(217,012)
Interest Paid on Capital Lease	(22,387)
	(23,794)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	50,801
Investment Income	64,975
	115,776
Net Increase in Cash and Cash Equivalents	2,312,803
Cash and Cash Equivalents, Beginning of Year	33,704,268
	\$ 36,017,071

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (48,391,079)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,901,870
Changes in Assets and Liabilities:	
Receivables, Net	(657,517)
Inventories	353,701
Prepaid Expenses	(30,301)
Accounts Payable	390,882
Unearned Revenue	5,303
Deposits Held for Others	(21,456)
Special Termination Benefits Payable	(159,134)
Compensated Absences Payable	(118,473)
Other Postemployment Benefits Payable	14,261
	\$ (44,711,943)
NET CASH USED BY OPERATING ACTIVITIES	

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

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 5,166
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (2,928)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 11,072

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, State College of Florida Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended September 30, 2013.

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

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

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

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the

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

third party making payment on behalf of the student. The College computes its scholarship allowances by determining through its accounting records, the cash payments to students. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

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

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

At June 30, 2014, the College reported as cash equivalents \$22,600,094 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

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

- Computer Equipment – 3 years
- Vehicles, Office Machines, and Educational Equipment – 5 years
- Furniture – 7 years
- Assets Under Capital Lease – 10 years

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

2. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

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

At June 30, 2014, the College reported investments at fair value of \$28,415 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

As of September 30, 2013, investments held by the College's Foundation are reported at fair value as follows:

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

Investment Type	Amount
United States Treasury Securities	\$ 938,626
Obligations of United States Government Agencies and Instrumentalities	451,077
Bonds and Notes	1,099,341
Stocks and Other Equity Securities	2,572,520
Hedge Funds	5,520,137
Mutual Funds	33,799,466
Total Component Unit Investments	\$ 44,381,167

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and unused credit memos. These receivables are reported net of a \$456,000 allowance for doubtful accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$2,803,991 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$946,555 for Federal Direct Loans, \$320,884 from local school districts for dual enrollment programs, and \$499,160 for grant reimbursements and third-party obligations for student fee registrations.

5. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$65,401 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College’s financial statements are reported for the fiscal year ended June 30, 2014. The College’s component unit’s financial statements are reported for the fiscal year ended September 30, 2013. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

6. INVENTORIES

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

7. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,112,647	\$	\$	\$ 2,112,647
Artwork and Artifacts	39,661			39,661
Construction in Progress	755,949	3,393,883	321,502	3,828,330
Total Nondepreciable Capital Assets	\$ 2,908,257	\$ 3,393,883	\$ 321,502	\$ 5,980,638
Depreciable Capital Assets:				
Buildings	\$ 88,417,249	\$ 300,563	\$	\$ 88,717,812
Other Structures and Improvements	19,661,098	20,939		19,682,037
Furniture, Machinery, and Equipment	7,875,449	296,699	39,336	8,132,812
Assets Under Capital Lease	1,840,630			1,840,630
Total Depreciable Capital Assets	117,794,426	618,201	39,336	118,373,291
Less, Accumulated Depreciation:				
Buildings	29,450,706	1,995,917		31,446,623
Other Structures and Improvements	14,355,846	988,150		15,343,996
Furniture, Machinery, and Equipment	5,857,727	733,740	36,408	6,555,059
Assets Under Capital Lease	1,380,473	184,063		1,564,536
Total Accumulated Depreciation	51,044,752	3,901,870	36,408	54,910,214
Total Depreciable Capital Assets, Net	\$ 66,749,674	\$ (3,283,669)	\$ 2,928	\$ 63,463,077

8. UNEARNED REVENUE

Unearned revenue in the amount of \$46,583 includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

9. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable	\$ 625,742	\$	\$ 217,012	\$ 408,730	\$
Special Termination Benefits Payable	359,250	52,030	211,164	200,116	96,421
Compensated Absences Payable	2,785,424	343,037	461,510	2,666,951	74,512
Other Postemployment Benefits Payable	319,436	188,468	174,207	333,697	
Total Long-Term Liabilities	\$ 4,089,852	\$ 583,535	\$ 1,063,893	\$ 3,609,494	\$ 170,933

Capital Lease Payable. Equipment consisting of air conditioning, electrical, and other energy management improvement items at various campuses, in the amount of \$1,840,630 is being acquired under a capital lease agreement. The stated interest rate is 4.1 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2014, are as follows:

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

Fiscal Year Ending June 30	Amount
2015 (1)	\$
2016	251,000
2017	173,779
Total Minimum Payments	424,779
Less, Amount Representing Interest	16,049
Present Value of Minimum Payments	\$ 408,730

Note: (1) Paid in the 2013-14 fiscal year.

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for \$5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of \$1,476 as of June 30, 2014, for 3 participants who gave notice to retire under the Retirement Incentive Program. The Program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for \$5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of \$5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of \$198,640 at June 30, 2014, for 35 employees who gave notice to retire under the Retirement Enhancement Program.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,666,951. The current portion of the compensated absences liability, \$74,512, is estimated as the sum of the average change in compensated absences liability for the prior 15 years.

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

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 59 retirees received postemployment healthcare benefits, and 82 retirees received postemployment life insurance benefits. The College provided required contributions of \$174,207 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$140,765, which represents 0.7 percent of covered payroll.

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

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 109,381
Amortization of Unfunded Actuarial Accrued Liability	76,958
Annual Required Contribution	186,339
Interest on Net OPEB Obligation	12,777
Adjustment to Annual Required Contribution	(10,648)
Annual OPEB Cost (Expense)	188,468
Contribution Toward the OPEB Cost	(174,207)
Increase in Net OPEB Obligation	14,261
Net OPEB Obligation, Beginning of Year	319,436
Net OPEB Obligation, End of Year	\$ 333,697

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 136,507	65.8%	\$ 268,791
2012-13	142,305	64.4%	319,436
2013-14	188,468	92.4%	333,697

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$2,308,747 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,308,747 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$20,404,033 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.3 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

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

employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

10. RETIREMENT PROGRAMS

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

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

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$1,163,077, \$1,222,458, and \$1,608,093, respectively, which were equal to the required contributions for each fiscal year.

There were 140 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$548,727, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services’ Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement’s Web site (www.frs.myflorida.com).

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 36 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$175,790 and employee contributions totaled \$71,849 for the 2013-14 fiscal year.

Senior Management Service Local Annuity Program. Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.49 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the LAP by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

There were two College participants during the 2013-14 fiscal year. The College's contributions to the Annuity Program totaled \$49,327.

11. CONSTRUCTION COMMITMENTS

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

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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JUNE 30, 2014**

Project Description	Total Commitment	Completed to Date	Balance Committed
Classroom Building and Faculty Offices - Bradenton Campus			
Architect/Engineering	\$ 361,335	\$ 305,298	\$ 56,037
Advertising	3,495	2,613	882
Demolition	183,095		183,095
General Construction	<u>5,252,249</u>	<u>2,609,998</u>	<u>2,642,251</u>
Subtotal	<u>5,800,174</u>	<u>2,917,909</u>	<u>2,882,265</u>
Other Projects (1)	<u>1,054,233</u>	<u>910,421</u>	<u>143,812</u>
Total	<u>\$ 6,854,407</u>	<u>\$ 3,828,330</u>	<u>\$ 3,026,077</u>

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2014.

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 21,772,095
Academic Support	3,874,348
Student Services	5,616,147
Institutional Support	11,345,710
Operation and Maintenance of Plant	7,175,252
Scholarships and Waivers	14,725,505
Depreciation	3,901,870
Auxiliary Enterprises	3,996,859
Total Operating Expenses	<u><u>\$ 72,407,786</u></u>

14. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 21,444,378
Accounts Receivable, Net	1,773,317
Due from Other Governmental Agencies	393,099
Inventories	585,226
Prepaid Expenses	459,727
Noncurrent Assets:	
Investments	28,415
TOTAL ASSETS	<u>24,684,162</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	398,985
Due to Other Governmental Agencies	5,860
Unearned Revenue	20,183
Special Termination Benefits Payable	96,421
Compensated Absences Payable	67,979
Total Current Liabilities	<u>589,428</u>
Noncurrent Liabilities:	
Special Termination Benefits Payable	103,695
Compensated Absences Payable	2,462,524
Other Postemployment Benefits Payable	326,450
TOTAL LIABILITIES	<u>3,482,097</u>
TOTAL NET POSITION	<u><u>\$ 21,202,065</u></u>

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$6,689,320	\$ 14,860,982
Sales and Services of Educational Departments	47,469
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,302,774	3,501,506
Other Operating Revenues	<u>404,995</u>
Total Operating Revenues	<u>18,814,952</u>

EXPENSES

Operating Expenses:

Personnel Services	31,675,688
Scholarships and Waivers	17,875
Utilities and Communications	1,661,554
Contractual Services	3,558,947
Other Services and Expenses	3,216,954
Materials and Supplies	<u>5,952,112</u>
Total Operating Expenses	<u>46,083,130</u>

Operating Loss (27,268,178)

NONOPERATING REVENUES (EXPENSES)

State Noncapital Appropriations	22,330,478
Gifts and Grants	747,372
Investment Income, Net	46,669
Other Nonoperating Revenues	952
Other Nonoperating Expenses	<u>(2,089)</u>

Net Nonoperating Revenues 23,123,382

**Loss Before Other Revenues,
Expenses, Gains, or Losses** (4,144,796)
Transfers to/from Other Funds 7,420,498

Increase in Net Position 3,275,702
Net Position, Beginning of Year 17,926,363

Net Position, End of Year \$ 21,202,065

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 1,938,902	\$ 1,938,902	0%	\$24,962,876	7.8%
7/1/2011	-	1,332,841	1,332,841	0%	20,555,206	6.5%
7/1/2013	-	2,308,747	2,308,747	0%	20,404,033	11.3%

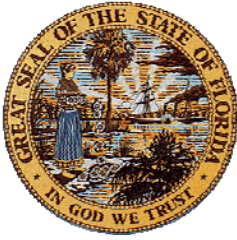
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial liability.

**STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of \$2,308,747 was significantly higher than the July 1, 2011, liability of \$1,332,841 as a result of the following factors:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of health care inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 13, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2015-040.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 13, 2015