

NORTH FLORIDA COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

| | <u>County</u> |
|--|---------------|
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| Dr. William L. Brothers, Vice Chair from 8-18-09 (1) | Suwannee |
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| Albert Thomas, Jr., Vice Chair to 8-17-09 | Jefferson |
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| Verna M. Hodge to 7-14-09 (2) | Hamilton |
| Ricky N. Lyons from 7-15-09 (3) | Lafayette |
| Lester D. Padgett | Taylor |

Mr. John Grosskopf, President

- Notes: (1) Board member served beyond the end of their term, May 31, 2010.
- (2) Board member served beyond the end of her term, May 31, 2009.
- (3) Board member position was vacant from July 1, 2009, to July 14, 2009, until the appointment of member.

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 Tiffany R. Wilson and the audit was supervised by Cathy L. Bandy, 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.

**NORTH FLORIDA COMMUNITY COLLEGE
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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

We noted a certain matter involving the College's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

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.

MATERIAL WEAKNESS

Finding No. 1: The College needed to improve its financial reporting process to ensure its financial statements are accurate and fairly presented.

Audit Objectives and Scope

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

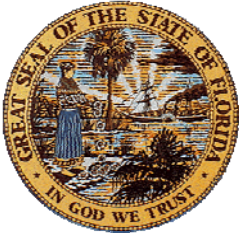
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2010-132.

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, 2010. 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. 2011-026.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of North Florida Community 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 10 through 27. 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 North Florida Community College and of its discretely presented component unit as of June 30, 2010, 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 North Florida Community 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** on pages 3 through 9 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 28 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
February 18, 2011

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, 2010, 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.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$32.5 million at June 30, 2010. This balance reflects a \$0.4 million, or 1 percent, increase from the 2008-09 fiscal year, resulting from an increase in additions to nondepreciable capital assets for the ongoing gym addition and remodel project. Liabilities increased by \$0.6 million, or 43.6 percent, totaling \$1.9 million at June 30, 2010, compared to \$1.3 million at June 30, 2009. As a result, the College's net assets decreased by \$0.2 million, reaching a year-end balance of \$30.6 million.

The College's operating revenues totaled \$2.7 million for the 2009-10 fiscal year, representing a 29 percent increase over the 2008-09 fiscal year due mainly to the College receiving increased Federal support. Operating expenses totaled \$12.5 million for the 2009-10 fiscal year, representing an increase of 3 percent over the 2008-09 fiscal year due mainly to an increase in scholarship expense.

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:

- North Florida Community 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.
- North Florida Community 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 North Florida Community 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 North Florida Community College's operating results.

These two statements report North Florida Community 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)**

| | College | | Component Unit | |
|--|------------------|------------------|-----------------|-----------------|
| | 6-30-10 | 6-30-09 | 3-31-10 | 3-31-09 |
| Assets | | | | |
| Current Assets | \$ 3,484 | \$ 3,233 | \$ 2,889 | \$ 2,575 |
| Capital Assets, Net | 24,737 | 21,609 | | |
| Other Noncurrent Assets | 4,305 | 7,267 | 29 | 29 |
| Total Assets | 32,526 | 32,109 | 2,918 | 2,604 |
| Liabilities | | | | |
| Current Liabilities | 1,213 | 640 | 1 | 46 |
| Noncurrent Liabilities | 726 | 710 | | |
| Total Liabilities | 1,939 | 1,350 | 1 | 46 |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 24,737 | 21,609 | | |
| Restricted | 5,434 | 8,834 | 2,860 | 2,496 |
| Unrestricted | 416 | 316 | 57 | 62 |
| Total Net Assets | \$ 30,587 | \$ 30,759 | \$ 2,917 | \$ 2,558 |
| Increase (Decrease) in Net Assets | \$ (172) | -0.6% | \$ 359 | 14.0% |

Total assets increased by approximately \$0.4 million and total liabilities increased by \$0.6 million primarily due to an increase of \$3 million in the College's capital assets for capitalized expenses, and a \$0.6 million increase in construction contract and retainage payables related to the gym addition and remodel project.

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

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

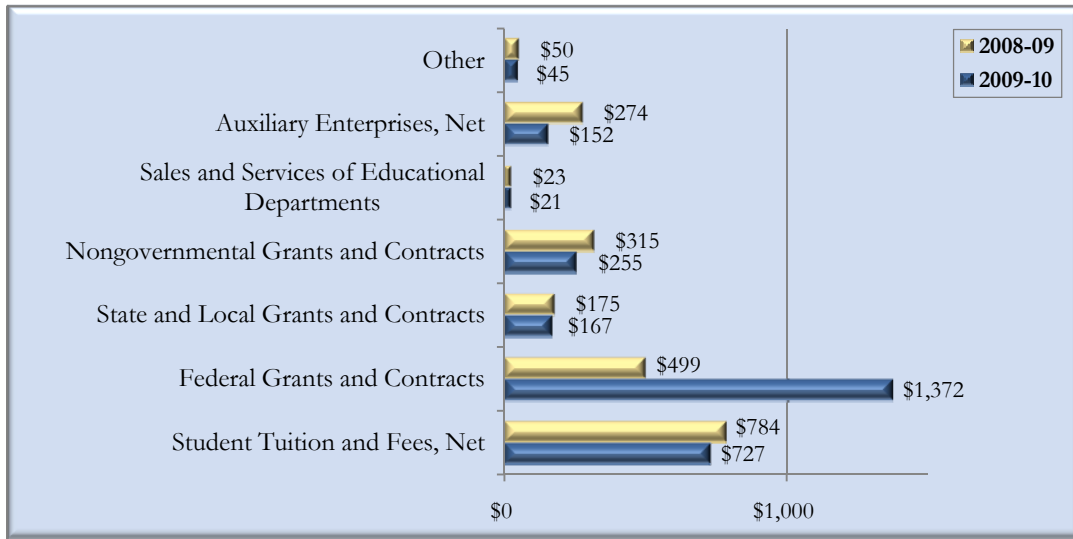
| | College | | Component Unit | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 6-30-10 | 6-30-09 | 3-31-10 | 3-31-09 |
| Operating Revenues | | | | |
| Student Tuition and Fees, Net of Scholarship Allowances | \$ 727 | \$ 784 | \$ | \$ |
| Federal Grants and Contracts | 1,372 | 499 | | |
| State and Local Grants and Contracts | 167 | 175 | 192 | 339 |
| Nongovernmental Grants and Contracts | 255 | 315 | | |
| Sales and Services of Educational Departments | 21 | 23 | | |
| Auxiliary Enterprises, Net of Scholarship Allowances | 152 | 274 | | |
| Other Operating Revenues | 45 | 50 | | |
| Total Operating Revenues | <u>2,739</u> | <u>2,120</u> | <u>192</u> | <u>339</u> |
| Less, Operating Expenses | <u>12,518</u> | <u>12,150</u> | <u>235</u> | <u>322</u> |
| Operating Income (Loss) | <u>(9,779)</u> | <u>(10,030)</u> | <u>(43)</u> | <u>17</u> |
| Nonoperating Revenues (Expenses) | | | | |
| State Appropriations | 5,922 | 6,482 | | |
| Other Nonoperating Revenues (Expenses) | 3,135 | 2,234 | 402 | (468) |
| Net Nonoperating Revenues (Expenses) | <u>9,057</u> | <u>8,716</u> | <u>402</u> | <u>(468)</u> |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | <u>(722)</u> | <u>(1,314)</u> | <u>359</u> | <u>(451)</u> |
| Capital Appropriations | 412 | 3,295 | | |
| Capital Grants, Contracts, Gifts, and Fees | 138 | 121 | | |
| Increase (Decrease) in Net Assets | <u>(172)</u> | <u>2,102</u> | <u>359</u> | <u>(451)</u> |
| Net Assets, Beginning of Year | <u>30,759</u> | <u>28,657</u> | <u>2,558</u> | <u>3,009</u> |
| Net Assets, End of Year | <u>\$30,587</u> | <u>\$30,759</u> | <u>\$ 2,917</u> | <u>\$ 2,558</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 chart presents the College’s operating revenues for the 2009-10 and 2008-09 fiscal years:

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



College operating revenue changes were the result of a decrease in Auxiliary Enterprises by \$0.1 million, or 45 percent, due to the closing of the onsite bookstore and an increase of 0.9 million in Federal 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 assets and has displayed the functional classification in the notes to financial statements.

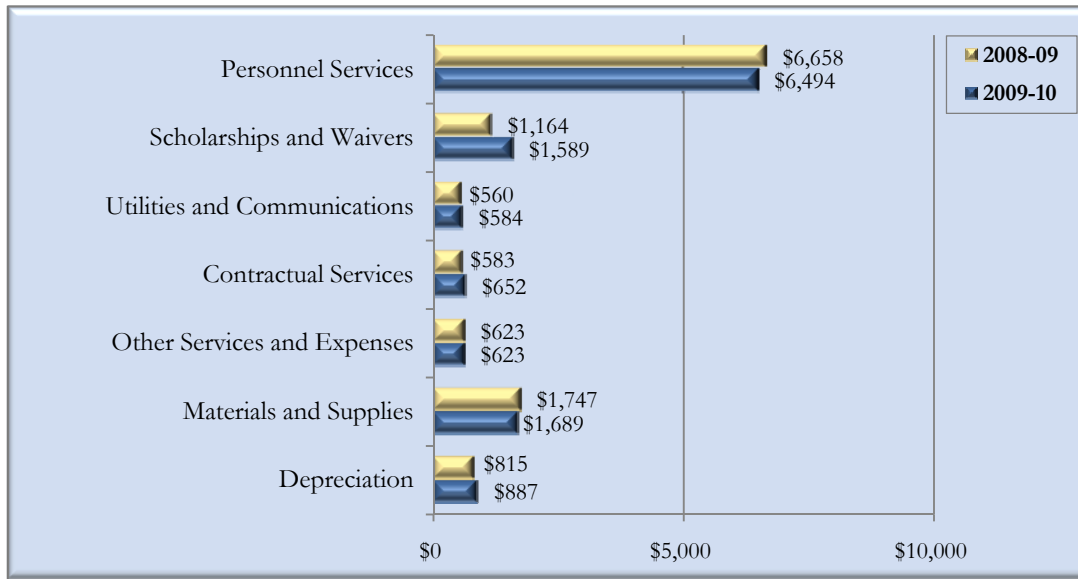
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

**Operating Expenses
(In Thousands)**

| | College | | Component Unit | |
|---------------------------------|------------------|------------------|----------------|---------------|
| | 6-30-10 | 6-30-09 | 3-31-10 | 3-31-09 |
| Operating Expenses | | | | |
| Personnel Services | \$ 6,494 | \$ 6,658 | \$ 81 | \$ 92 |
| Scholarships and Waivers | 1,589 | 1,164 | 122 | 186 |
| Utilities and Communications | 584 | 560 | | |
| Contractual Services | 652 | 583 | 7 | 7 |
| Other Services and Expenses | 623 | 623 | 14 | 22 |
| Materials and Supplies | 1,689 | 1,747 | 11 | 15 |
| Depreciation | 887 | 815 | | |
| Total Operating Expenses | \$ 12,518 | \$ 12,150 | \$ 235 | \$ 322 |

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



College operating expense changes were primarily the result of a decrease of \$0.2 million, or 2 percent, in personnel services costs due to cuts in positions in response to State funding cuts. Also, scholarships and waivers increased by \$0.4 million, or 37 percent, due to an increase in the number of students receiving financial aid.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State 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 2009-10 and 2008-09 fiscal years:

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

| | 2009-10 | 2008-09 |
|----------------------------------|-----------------|-----------------|
| State Appropriations | \$ 5,922 | \$ 6,482 |
| Gifts and Grants | 3,119 | 2,182 |
| Investment Income | 16 | 52 |
| Net Nonoperating Revenues | \$ 9,057 | \$ 8,716 |

State appropriations decreased by \$0.6 million, or 9 percent, due to a decrease in the College Program Fund revenues as a result of economic conditions. Gifts and grants increased by \$0.9 million, or 43 percent, due to an increase in Federal Pell student financial aid and the receipt of American Recovery and Reinvestment Act (ARRA) funds in the 2009-10 fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

| | 2009-10 | 2008-09 |
|--|---------------|-----------------|
| Capital Appropriations | \$ 412 | \$ 3,295 |
| Capital Grants, Contracts, Gifts, and Fees | 138 | 121 |
| Total | \$ 550 | \$ 3,416 |

Other revenues decreased by \$2.9 million, or 84 percent, due to a reduction in Public Education Capital Outlay appropriations for capital construction.

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 2009-10 and 2008-09 fiscal years is presented in the following table:

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

| | 2009-10 | 2008-09 |
|--|-----------------|-----------------|
| Cash Provided (Used) by: | | |
| Operating Activities | \$ (8,884) | \$ (9,113) |
| Noncapital Financing Activities | 9,035 | 8,695 |
| Capital and Related Financing Activities | 313 | 584 |
| Investing Activities | 42 | 82 |
| Net Increase in Cash and Cash Equivalents | 506 | 248 |
| Cash and Cash Equivalents, Beginning of Year | 4,524 | 4,276 |
| Cash and Cash Equivalents, End of Year | \$ 5,030 | \$ 4,524 |

Major sources of funds came from State appropriations (\$5.9 million), net student tuition and fees (\$0.8 million), grants and contracts (\$1.7 million), capital appropriations (\$3.6 million), and gifts and grants (\$3.1 million). Major uses of funds were for payments to employees (\$5.1 million), purchase of capital assets (\$3.4 million), and payments to providers of goods and services (\$2.9 million).

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

- The \$0.2 million decrease in cash outflows from operating activities is primarily due to a decrease in payments to employees for salaries and benefits and an increase in grants and contracts offset by an increase in payments for scholarships.
- The \$0.3 million increase in cash inflows from noncapital financing activities is primarily due to an increase in Federal Pell grant receipts and the receipt of ARRA funds in the 2009-10 fiscal year offset by a reduction in general State appropriations.

- The \$0.3 million decrease in cash inflows from capital and related financing activities is primarily due to an increase in the purchase of capital assets offset by an increase in the receipt of Public Education Capital Outlay funds from the State.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$35.4 million in capital assets, less accumulated depreciation of \$10.7 million, for net capital assets of \$24.7 million. Depreciation charges for the current fiscal year totaled \$0.9 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>2010</u> | <u>2009</u> |
|---------------------------------------|-----------------|-----------------|
| Land | \$ 462 | \$ 462 |
| Buildings | 23,958 | 23,447 |
| Other Structures and Improvements | 5,984 | 5,938 |
| Furniture, Machinery, and Equipment | 1,551 | 1,430 |
| Construction in Progress | <u>3,475</u> | <u>139</u> |
| Total | <u>35,430</u> | <u>31,416</u> |
| Less, Accumulated Depreciation: | | |
| Buildings | 7,671 | 7,218 |
| Other Structures and Improvements | 1,855 | 1,569 |
| Furniture, Machinery, and Equipment | <u>1,167</u> | <u>1,020</u> |
| Total Accumulated Depreciation | <u>10,693</u> | <u>9,807</u> |
| Capital Assets, Net | <u>\$24,737</u> | <u>\$21,609</u> |

The College has a \$1.4 million construction contract commitment at June 30, 2010. The contract commitment is for the gym addition and remodel project. State capital appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

North Florida Community College did not have any long-term debt outstanding during the 2009-10 fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

North Florida Community 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 coming year. In response to the projected modest increase in State appropriations, the Board of Trustees increased the tuition rate 5 percent to take effect beginning with the Fall 2010 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A and financial statements and notes thereto, or requests for additional financial information, should be addressed to the Dean of Administrative Services, North Florida Community College, 325 Northwest Turner Davis Drive, Madison, Florida 32340.

BASIC FINANCIAL STATEMENTS

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010**

| | <u>College</u> | <u>Component Unit</u> |
|---------------------------------------|-------------------------|---------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 879,820.40 | \$ 516,946.00 |
| Restricted Cash and Cash Equivalents | 2,322,668.31 | |
| Investments | | 2,361,121.00 |
| Accounts Receivable | 56,129.28 | 10,736.00 |
| Due from Other Governmental Agencies | 138,522.45 | |
| Inventories | 86,967.57 | |
| Total Current Assets | <u>3,484,108.01</u> | <u>2,888,803.00</u> |
| Noncurrent Assets: | | |
| Restricted Cash and Cash Equivalents | 1,827,873.65 | |
| Due from Other Governmental Agencies | 2,386,543.33 | |
| Restricted Investments | 90,065.74 | |
| Depreciable Capital Assets, Net | 20,799,374.01 | |
| Nondepreciable Capital Assets | 3,937,876.45 | |
| Other Assets | | 28,560.00 |
| Total Noncurrent Assets | <u>29,041,733.18</u> | <u>28,560.00</u> |
| TOTAL ASSETS | <u>\$ 32,525,841.19</u> | <u>\$ 2,917,363.00</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 156,813.00 | \$ 811.00 |
| Salary and Payroll Taxes Payable | 204,631.79 | |
| Construction Contracts Payable | 467,783.14 | |
| Retainage Payable | 230,191.42 | |
| Deferred Revenue | 2,931.82 | |
| Deposits Held for Others | 150,658.26 | |
| Total Current Liabilities | <u>1,213,009.43</u> | <u>811.00</u> |
| Noncurrent Liabilities: | | |
| Compensated Absences Payable | 697,145.75 | |
| Other Postemployment Benefits Payable | 28,804.00 | |
| Total Noncurrent Liabilities | <u>725,949.75</u> | |
| TOTAL LIABILITIES | <u>1,938,959.18</u> | <u>811.00</u> |

NORTH FLORIDA COMMUNITY COLLEGE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

| | College | Component Unit |
|---|------------------|---------------------------|
| NET ASSETS | | |
| Invested in Capital Assets | \$ 24,737,250.46 | \$ |
| Restricted: | | |
| Nonexpendable: | | |
| Endowment | | 1,694,505.00 |
| Expendable: | | |
| Grants and Loans | 1,981,651.79 | 66,309.00 |
| Scholarships | 7,207.75 | 1,099,317.00 |
| Capital Projects | 3,444,560.21 | |
| Unrestricted | 416,211.80 | 56,421.00 |
| Total Net Assets | 30,586,882.01 | 2,916,552.00 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 32,525,841.19 | \$ 2,917,363.00 |

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

NORTH FLORIDA COMMUNITY COLLEGE 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, 2010

| | College | Component Unit |
|---|-------------------------|---------------------------|
| REVENUES | | |
| Operating Revenues: | | |
| Student Tuition and Fees, Net of Scholarship Allowances of \$1,567,627.47 | \$ 726,924.73 | \$ |
| Federal Grants and Contracts | 1,371,813.87 | |
| State and Local Grants and Contracts | 167,061.27 | 192,048.00 |
| Nongovernmental Grants and Contracts | 255,043.51 | |
| Sales and Services of Educational Departments | 20,898.91 | |
| Auxiliary Enterprises, Net of Scholarship Allowances of \$334,041.01 | 152,438.47 | |
| Other Operating Revenues | 45,070.70 | |
| | 2,739,251.46 | 192,048.00 |
| EXPENSES | | |
| Operating Expenses: | | |
| Personnel Services | 6,494,330.73 | 81,320.00 |
| Scholarships and Waivers | 1,589,064.02 | 121,988.00 |
| Utilities and Communications | 584,483.38 | |
| Contractual Services | 651,870.05 | 7,250.00 |
| Other Services and Expenses | 622,597.77 | 13,716.00 |
| Materials and Supplies | 1,689,182.16 | 10,820.00 |
| Depreciation | 886,844.18 | |
| | 12,518,372.29 | 235,094.00 |
| Total Operating Expenses | | |
| | (9,779,120.83) | (43,046.00) |
| NONOPERATING REVENUES | | |
| State Appropriations | 5,921,803.00 | |
| Gifts and Grants | 3,119,670.73 | |
| Investment Income | 16,161.95 | 65,663.00 |
| Gain on Investments | | 336,248.00 |
| | 9,057,635.68 | 401,911.00 |
| Net Nonoperating Revenues | | |
| | (721,485.15) | 358,865.00 |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | | |
| Capital Appropriations | 412,053.51 | |
| Capital Grants, Contracts, Gifts, and Fees | 137,590.99 | |
| | 549,644.50 | |
| Total Other Revenues | | |
| | (171,840.65) | 358,865.00 |
| Increase (Decrease) in Net Assets | | |
| Net Assets, Beginning of Year | 30,758,722.66 | 2,557,687.00 |
| | | |
| Net Assets, End of Year | \$ 30,586,882.01 | \$ 2,916,552.00 |

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

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010**

| | College |
|--|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and Fees, Net | \$ 754,057.45 |
| Grants and Contracts | 1,712,692.09 |
| Payments to Suppliers | (2,880,714.91) |
| Payments for Utilities and Communications | (584,483.38) |
| Payments to Employees | (5,145,012.66) |
| Payments for Employee Benefits | (1,369,789.13) |
| Payments for Scholarships | (1,589,064.02) |
| Auxiliary Enterprises, Net | 152,438.47 |
| Sales and Service of Educational Departments | 20,898.91 |
| Other Receipts | 45,070.70 |
| | (8,883,906.48) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State Appropriations | 5,921,803.00 |
| Gifts and Grants Received for Other Than Capital or Endowment Purposes | 3,119,670.73 |
| Other Nonoperating Disbursements | (6,499.53) |
| | 9,034,974.20 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Appropriations | 3,595,675.18 |
| Capital Grants and Gifts | 137,590.99 |
| Purchases of Capital Assets | (3,419,765.93) |
| | 313,500.24 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment Income | 16,161.95 |
| Proceeds from Sales and Maturities of Investments | 26,053.46 |
| | 42,215.41 |
| Net Increase in Cash and Cash Equivalents | 506,783.37 |
| Cash and Cash Equivalents, Beginning of Year | 4,523,578.99 |
| Cash and Cash Equivalents, End of Year | \$ 5,030,362.36 |

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010**

| | College |
|--|---------------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Loss | \$ (9,779,120.83) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 886,844.18 |
| Changes in Assets and Liabilities: | |
| Receivables, Net | (57,025.66) |
| Inventories | 65,281.93 |
| Accounts Payable | 17,653.14 |
| Salaries and Payroll Taxes Payable | (705.81) |
| Deferred Revenue | 2,931.82 |
| Compensated Absences Payable | (26,253.25) |
| Other Postemployment Benefits Payable | 6,488.00 |
| | <u>6,488.00</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (8,883,906.48)</u> |

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

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of North Florida Community College, 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 Hamilton, Jefferson, Lafayette, Madison, Suwannee, and Taylor Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *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 activity 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 North Florida Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

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 March 31, 2010.

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 the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 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 the 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.

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects.

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,

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees and auxiliary 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, and funds invested with the State Board of Administration (SBA) Florida PRIME Investment Pool, formerly known as the Local Government Surplus Funds Trust Fund 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 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, 2010, the College reported as cash equivalents at fair value \$2,782,756.72 of moneys held in the Florida PRIME Investment Pool administered by the SBA pursuant to Section 218.405, Florida Statutes. 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, 2010, 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 46 days as of June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME Investment Pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 50 years
- Other Structures and Improvements – 10 to 40 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years

Noncurrent Liabilities. Noncurrent liabilities include 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; 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 Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, 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. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME Investment Pool.

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

At June 30, 2010, the College reported investments at fair value of \$90,065.74 for amounts held 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 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

Investments of the North Florida Community College Foundation, Inc., at March 31, 2010, totaled \$2,361,121 and are reported at the fair market value based on quoted market prices. These investments consist of fixed-income securities of \$975,535 and equity securities of \$1,385,586.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties and are considered to be fully collectible.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$2,376,644 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. INVENTORIES

Inventories consist of items for resale by the food service, duplication center, and public safety departments, 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.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|--|-------------------------|------------------------|----------------------|-------------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$ 462,425.45 | \$ | \$ | \$ 462,425.45 |
| Construction in Progress | 139,280.63 | 3,459,078.61 | 122,908.24 | 3,475,451.00 |
| Total Nondepreciable Capital Assets | \$ 601,706.08 | \$ 3,459,078.61 | \$ 122,908.24 | \$ 3,937,876.45 |
| Depreciable Capital Assets: | | | | |
| Buildings | \$ 23,446,613.79 | \$ 511,192.15 | \$ | \$ 23,957,805.94 |
| Other Structures and Improvements | 5,937,557.53 | 46,229.00 | | 5,983,786.53 |
| Furniture, Machinery, and Equipment | 1,430,374.44 | 121,124.46 | | 1,551,498.90 |
| Total Depreciable Capital Assets | 30,814,545.76 | 678,545.61 | | 31,493,091.37 |
| Less, Accumulated Depreciation: | | | | |
| Buildings | 7,218,407.29 | \$ 452,604.65 | | 7,671,011.94 |
| Other Structures and Improvements | 1,568,798.46 | 286,460.87 | | 1,855,259.33 |
| Furniture, Machinery, and Equipment | 1,019,667.43 | 147,778.66 | | 1,167,446.09 |
| Total Accumulated Depreciation | 9,806,873.18 | 886,844.18 | | 10,693,717.36 |
| Total Depreciable Capital Assets, Net | \$ 21,007,672.58 | \$ (208,298.57) | \$ | \$ 20,799,374.01 |

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include compensated absences payable and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|---------------------|----------------------|----------------------|
| Compensated Absences Payable | \$ 723,399.00 | \$ 68,019.64 | \$ 94,272.89 | \$ 697,145.75 |
| Other Postemployment Benefits Payable | 22,316.00 | 18,381.00 | 11,893.00 | 28,804.00 |
| Total Long-Term Liabilities | \$ 745,715.00 | \$ 86,400.64 | \$ 106,165.89 | \$ 725,949.75 |

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 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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$697,145.75. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program. The College does not expect any payments in the coming fiscal year.

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium. 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 the 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 2009-10 fiscal year, 31 retirees received postemployment healthcare benefits and 11 retirees received postemployment life insurance benefits. The College provided required contributions of \$11,893 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 \$165,143.

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:

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

| Description | Amount |
|---|------------------|
| Normal Cost (Service Cost for One Year) | \$ 9,892 |
| Amortization of Unfunded Actuarial Accrued Liability | 8,489 |
| Annual OPEB Cost (Expense) | 18,381 |
| Contribution Toward the OPEB Cost | (11,893) |
| Increase in Net OPEB Obligation | 6,488 |
| Net OPEB Obligation, Beginning of Year | 22,316 |
| Net OPEB Obligation, End of Year | \$ 28,804 |

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------------|---------------------|---|------------------------|
| Beginning Balance, July 1, 2007 | \$ | | \$ |
| 2007-08 | 18,381 | 30.4% | 12,784 |
| 2008-09 | 18,381 | 48.1% | 22,316 |
| 2009-10 | 18,381 | 64.7% | 28,804 |

Funded Status and Funding Progress. As of July 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$166,390 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$166,390 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$5,967,907 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.8 percent.

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

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

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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.

GASB Statement No. 45 requires an actuarial valuation biennially for plans with a total membership of more than 200 participants and triennially for plans with a total membership less than 200 participants. Membership in the College's plan was less than 200 participants during the 2009-10 fiscal year, therefore, an actuarial valuation is not required until the 2010-11 fiscal year. The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 1 percent per year for one year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after 5 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

8. 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 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. 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 Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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 and 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.

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

| Class | Percent of Gross Salary | |
|---|-------------------------|-----------------|
| | Employee | Employer (A) |
| Florida Retirement System, Regular | 0.00 | 9.85 |
| Florida Retirement System, Senior Management Service | 0.00 | 13.12 |
| Deferred Retirement Option Program - Applicable to Members from All of the Above Classes | 0.00 | 10.91 |
| 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 0.05 percent for administrative costs of the PEORP.
 (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 for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$452,544, \$423,859, and \$392,136, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer 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 PEORP vest at one year of service. There were 17 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$70,433.80.

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.

**NORTH FLORIDA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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, 10.43 percent of the participant’s salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant’s annuity account.

There was one College participant during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$10,296.74.

9. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2010, are as follows:

| Project Description | Total Committed | Completed to Date | Balance Committed |
|-----------------------------------|------------------------|------------------------|------------------------|
| Gymnasium Addition and Remodel | <u>\$ 3,965,760.84</u> | <u>\$ 2,594,106.51</u> | <u>\$ 1,371,654.33</u> |

10. 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 \$175 million through February 28, 2010, and up to \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, health and hospitalization, life, workers’ compensation, and other liability coverage.

Dental, vision, and long-term disability coverage is provided through purchased commercial insurance with minimum deductibles for each line of coverage.

11. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment

**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

| <u>Source</u> | <u>Amount</u> |
|---|-----------------------|
| College Program Fund | \$5,185,304.00 |
| Education Enhancement Trust Fund (Lottery) | 736,499.00 |
| Gross Receipts Tax (Public Education Capital Outlay) | 365,168.00 |
| Bright Futures Scholarship Program | 275,150.00 |
| Florida Student Assistance Grants | 176,806.00 |
| Restricted Contracts and Grants | 164,061.27 |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 46,194.61 |
| Other State Sources | 4,950.00 |
| Total | \$6,954,132.88 |

12. 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:

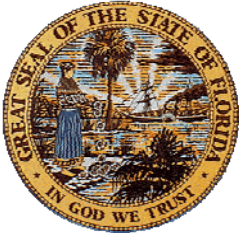
**NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

| <u>Functional Classification</u> | <u>Amount</u> |
|------------------------------------|--------------------------------|
| Instruction | \$ 4,384,279.06 |
| Public Services | 144,832.98 |
| Academic Support | 1,548,577.14 |
| Student Services | 720,507.76 |
| Institutional Support | 1,426,326.21 |
| Operation and Maintenance of Plant | 1,458,565.73 |
| Scholarships and Fellowships | 1,801,252.89 |
| Depreciation | 886,844.18 |
| Auxiliary Enterprises | <u>147,186.34</u> |
| Total Operating Expenses | <u>\$ 12,518,372.29</u> |

**NORTH FLORIDA COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

| Actuarial Valuation Date (1) | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (2) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|------------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 07/01/07 | \$ | \$ 166,390 | \$ 166,390 | 0% | \$ 5,967,907 | 2.8% |

- Notes: (1) The most recent OPEB actuarial calculation was performed as of July 1, 2007, for the College as it implemented the provisions of GASB Statement No. 45.
 (2) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liability.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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 North Florida Community 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, 2010, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the **FINDING AND RECOMMENDATION** section of this report, we identified a deficiency in internal control over financial reporting that we consider a material weakness.

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. We consider the deficiency described in the **FINDING AND RECOMMENDATION** section of this report to be a material weakness.

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. 2011-026.

Management's response to the finding discussed in the **FINDING AND RECOMMENDATION** section is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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
February 18, 2011

FINDING AND RECOMMENDATION

MATERIAL WEAKNESS

Finding No. 1: Financial Reporting

One of the principal ways that a college documents accountability for the public resources it receives is to report its financial position and activities in its annual financial statements. As such, College personnel should ensure that the financial statements are accurate and include all required disclosures so users, such as the Board of Trustees, the President, College management, and other interested parties, can appropriately evaluate College operations and assess the College's financial condition.

To promote understanding and consistency in presentation, the College is required to prepare its annual financial statements in accordance with generally accepted accounting principles. Our review of the College's 2009-10 fiscal year annual financial report, as presented for audit, disclosed several reporting errors. For example:

- Capital assets were understated by \$230,191 due to errors in calculating additions to capital assets.
- Construction contracts payable was overstated by \$467,783 due to College personnel recording the liability twice.
- Depreciation expense was understated by \$23,009 due to errors in calculating depreciation expense for buildings.
- Beginning net assets were overstated by \$3,098,027 due to prior year audit adjustments not being posted to the College's accounting records.
- Capital expenses totaling \$3,796,815 were incorrectly reported as nonoperating expenses.

These reporting errors occurred because College personnel did not have effective procedures to ensure the annual financial statements were accurate and complete. We extended our audit procedures to determine the adjustments necessary to ensure the College's financial statements were materially correct, and College personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to establish effective internal controls over financial reporting. When the financial statements are not accurately prepared or presented, the College's Board of Trustees, the President, College management, and other users of the financial statements are without a proper basis for evaluating College operations and for assessing the College's financial condition. Similar findings were noted in previous audit reports, most recently in our report No. 2010-132.

Recommendation: The College should establish more effective procedures over financial reporting to ensure the accuracy and completeness of the financial statements.

PRIOR AUDIT FOLLOW-UP

As discussed in the preceding paragraphs, the College had not taken corrective actions for the finding included in our report No. 2010-132.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

EXHIBIT A
MANAGEMENT'S RESPONSE



Office of the
President

February 18, 2011

Mr. David M. Martin
Auditor General, State of Florida
853 S.W. Sisters Welcome Road
Lake City, Florida 32025

Dear Mr. Martin:

This letter is in response to our receipt of the list of preliminary and tentative findings and recommendations made to North Florida Community College as a result of the financial audit for the fiscal year ended June 30, 2010. There was one finding in this report.

Finding No. 1 – Financial Reporting

The College needed to improve its financial reporting process to ensure its financial statements are accurate and fairly presented.

Recommendation:

The College should establish more effective procedures over financial reporting to ensure accuracy and completeness of the financial statements.

Response

The administration of North Florida Community College fully realizes that financial reporting errors on a repeat basis, as we have had, are unacceptable. The staff of the Vice Chancellor for Financial Policy of the Florida Division of Florida Colleges is currently conducting a review and revision of the Annual Financial Report forms, in connection with business officers from the State Colleges. It is their intent to provide directions which more clearly explain the crosswalk from the College's internal accounting system to the required forms. North Florida Community College will be a pilot school for testing these forms, thus providing for more accurate reporting in the future. However, we would like to offer a response to specific items as listed in the finding.

It is agreed that beginning net assets were overstated on the Annual Financial Report forms as they relate to the beginning net assets brought forward from audited statements for the fiscal year ending June 30, 2009. This discrepancy occurred as a result of prior year errors which caused the Trial Balance figures on file with the Department of Financial Services to be incorrect. Although the adjusting entries as provided by Auditor General Staff were posted to the College's accounting records, Department of Education directions require that the DFS prior year ending balance be utilized on the report forms.

When comparing the Net Assets-End of Year in the audited financial statements for fiscal year ending June 30, 2010, and the same statements as generated by the College, the College's balance is \$674,965.55 less than that of the Auditor General Staff. Adjusting entries for these discrepancies have been offered and accepted.

As always, we appreciate the professional manner in which the audit was conducted. We look forward to continued growth in accountability based on the recommendation, and will continue to work to ensure compliance with all generally accepted accounting principles as well as state statutes and rules.

Sincerely,

John Grosekopf,
President

Cc: Cathy L. Bandy, Audit Supervisor

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