

FLORIDA STATE COLLEGE AT JACKSONVILLE

Financial Audit

For the Fiscal Year Ended
June 30, 2011



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
Dr. Linda H. Asay, Vice Chair to 8-03-10, Chair from 8-04-10 (1)	Nassau
James E. McCollum, Vice Chair from 8-04-10 (2)	Nassau
Gwendolyn Yates, Vice Chair	Duval
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Suanne Z. Thamm	Nassau

Dr. Steven R. Wallace, President

- Notes: (1) Board member served beyond the end of term,
May 31, 2010.
(2) Board member served beyond the end of term,
May 31, 2011.

The Vice Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

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 Lenia Blades, and the audit was supervised by John P. Duffy, 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.

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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 Florida State College at Jacksonville 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, 2011. 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. 2012-073.

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 Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State College at Jacksonville and of its discretely presented component unit as of June 30, 2011, 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.

As discussed in note 2 to the financial statements, the College changed its reporting of revenues for Federal military training continuing workforce education contracts. This change affects the comparability of amounts reported as operating revenues for student tuition and fees and Federal grants and contracts on the statement of revenues, expenses, and changes in net assets for the 2010-11 fiscal year with amounts reported for the prior fiscal year.

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

Respectfully submitted,



David W. Martin, CPA
February 24, 2012

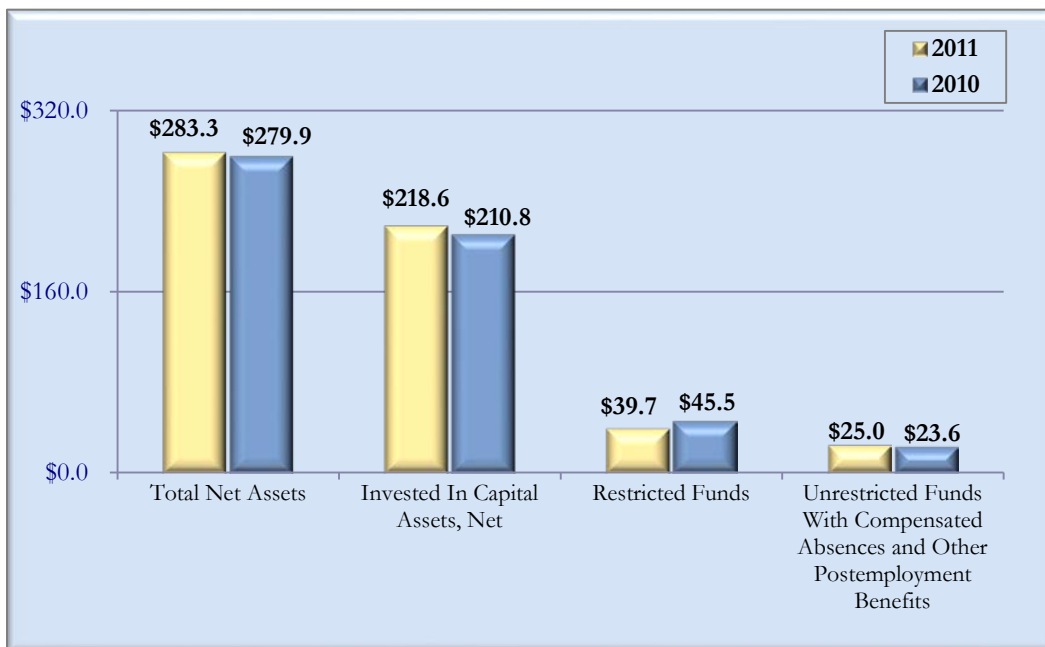
MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College’s comparative net assets by category for the fiscal years ended June 30, 2011, and June 30, 2010, are shown in the following graph:

**Net Assets: College by Category at June 30
(In Millions)**



The College’s financial position, as a whole, continues strong as evidenced by a \$3.4 million increase in total net assets over this past fiscal year increasing from \$279.9 million on June 30, 2010, to \$283.3 million as of June 30, 2011. This net asset growth was primarily because of an increase in invested in capital assets, net of related debt.

The College’s operating revenues were \$60.9 million for the 2010-11 fiscal year, a decrease of \$3.4 million, while net nonoperating revenues were \$147.3 million, an increase of \$14.4 million year on year. The decrease in overall operating revenue is primarily due to the expiration of one of the College’s larger Federal military training continuing workforce education (CWE) contracts. Increases in Federal Pell grants and State noncapital appropriations accounted for most of the increase in nonoperating revenues.

Operating expenses totaled \$219.2 million for the 2010-11 fiscal year, representing an increase of 6.2 percent over the 2009-10 fiscal year due mainly to an increase in scholarships and waivers and personnel services expenses, which were partially offset by a decrease in supplies and services expenses. Personnel services expenses increased \$10 million, mainly because of a 3 percent salary increase for most College personnel totaling approximately \$3.3 million and the

hiring of Federal military training personnel totaling \$5.5 million that were previously contracted through a vendor. The hiring of the of the Federal military training contract personnel also explains the \$4.9 million decrease in supplies and services expenses.

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:

- Florida State College at Jacksonville (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida State College Foundation, Inc. (Component Unit) – The Foundation is a direct-support organization of the College with the mission of raising funds to support academic programs and student scholarships. 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 Florida State College at Jacksonville 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 Florida State College at Jacksonville's operating results.

These two statements report Florida State College at Jacksonville'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.

Total combined net assets of the College and Foundation at June 30, 2011, are \$321.1 million, an increase of \$11.6 million from the prior year, as shown in the following graph:

**Total Combined Net Assets at June 30
(In Millions)**



A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2011, and June 30, 2010, is shown in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
Assets				
Current Assets	\$ 35,008	\$ 46,677	\$ 37,897	\$ 29,641
Capital Assets, Net	225,417 (1)	219,494 (1)		
Other Noncurrent Assets	65,328	61,727	13	13
Total Assets	<u>325,753</u>	<u>327,898</u>	<u>37,910</u>	<u>29,654</u>
Liabilities				
Current Liabilities	22,018	26,674	51	37
Noncurrent Liabilities	20,479	21,326		
Total Liabilities	<u>42,497</u>	<u>48,000</u>	<u>51</u>	<u>37</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	218,558	210,767		
Restricted	39,664	45,528	35,759	27,793
Unrestricted	25,034 (2)	23,603 (2)	2,100	1,824
Total Net Assets	<u>\$ 283,256</u>	<u>\$ 279,898</u>	<u>\$ 37,859</u>	<u>\$ 29,617</u>
Increase in Net Assets	<u>\$ 3,358</u> 1.20%		<u>\$ 8,242</u> 27.83%	

Notes: (1) Shown at depreciated cost. Life-to-date accumulated depreciation recorded through the 2010-11 fiscal year totaled \$128.1 million. Of this amount, \$9.8 million related to the current fiscal year.

(2) Unrestricted net assets for the 2010-11 and 2009-10 fiscal years were reduced by \$16.8 and \$15.8 million, respectively, for the liabilities for accrued compensated leave and other postemployment benefits payables for employees.

The largest portion of the College’s net assets (77.2 percent) is its investment in capital assets, net of related debt outstanding (e.g., land; buildings; and furniture, machinery, and equipment). The College uses these capital assets in providing educational services; consequently, these capital assets are not available for future spending. The restricted portion of net assets (14 percent) represents resources that are subject to external restrictions on how they may be

used. Unrestricted net assets (8.8 percent) may be used to meet the College's ongoing obligations to students, employees, and creditors. Current assets decreased by \$11.7 million, mainly because funding due from the State related to construction decreased.

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 up or receives something of equal or similar value.

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.

Revenues and expenses of the College and its component unit for the 2010-11 and 2009-10 fiscal years 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	
	6-30-11	6-30-10	6-30-11	6-30-10
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 35,568	\$ 50,031	\$	\$
Grants and Contracts	20,028	10,380		
Auxiliary Enterprises	3,461	1,509	6,450	4,985
Other Operating Revenues	1,798	2,411	3,589	2,736
Total Operating Revenues	60,855	64,331	10,039	7,721
Operating Expenses				
Personnel Services	121,196	111,202	561	656
Scholarships and Waivers	36,779	29,927	1,206	1,164
Utilities and Communications	7,199	6,820		
Supplies and Services	44,254	49,188	7,016	6,345
Depreciation	9,753	9,332		
Total Operating Expenses	219,181	206,469	8,783	8,165
Operating Income (Loss)	(158,326)	(142,138)	1,256	(444)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	74,396	70,408		
Other Nonoperating Revenues	73,331	62,913	5,472	3,868
Interest on Capital Asset-Related Debt	(404)	(440)		
Net Nonoperating Revenues	147,323	132,881	5,472	3,868
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(11,003)	(9,257)	6,728	3,424
State Capital Appropriations	9,412	6,105		
Capital Grants, Contracts, Gifts, and Fees	4,949	4,891		
Additions to Permanent Endowments			1,514	256
Increase in Net Assets	3,358	1,739	8,242	3,680
Net Assets, Beginning of Year	279,898	278,159	29,617	25,937
Net Assets, End of Year	\$ 283,256	\$ 279,898	\$ 37,859	\$ 29,617

The College's operating revenues were \$60.9 million for the 2010-11 fiscal year, a decrease of \$3.4 million, while net nonoperating revenues were \$147.3 million, an increase of \$14.4 million year on year. Within the operating revenues, the decrease in student tuition and fees and the increase in Federal grants and contracts mainly resulted from a change in the College's reporting of Federal military training CWE revenues from student tuition and fees to Federal grants and contracts as discussed in note 2 to the financial statements. Additionally, Federal military training CWE revenues decreased from \$15.3 million of student tuition and fees in the 2009-10 fiscal year to \$8.2 million of grants and contracts in the 2010-11 fiscal year because a large Federal military training contract expired. Student tuition and fees also increased because of increased student enrollment (excluding Federal military training contract students); however, the increase was mostly offset by a \$3.6 million increase in scholarship allowances because of increased

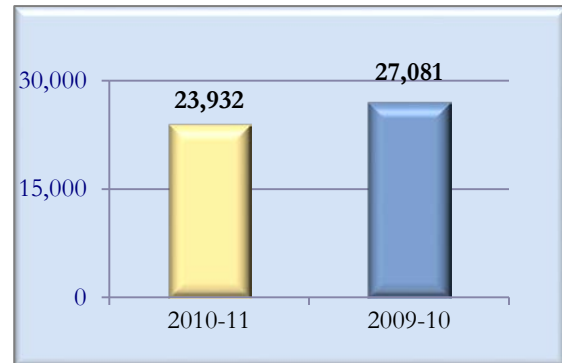
Federal Pell grants. The increase in net nonoperating revenues is primarily the result of \$7.9 million and \$4 million increases in Federal Pell grants and State noncapital appropriations, respectively.

Tuition-paying student enrollment decreased by 3,149 full-time equivalent (FTE) students because CWE training was no longer reportable for FTE funding purposes. Therefore, the College’s tuition-paying FTE of 23,932 for the 2010-11 fiscal year increased 1,696 FTE, or 7.6 percent, when compared to the prior year’s comparable tuition-paying FTE of 22,236 (2009-10 fiscal year FTE of 27,081 net of 4,845 CWE FTE). The following graphs represent operating revenues and tuition-paying student enrollment for the 2010-11 and 2009-10 fiscal years:

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



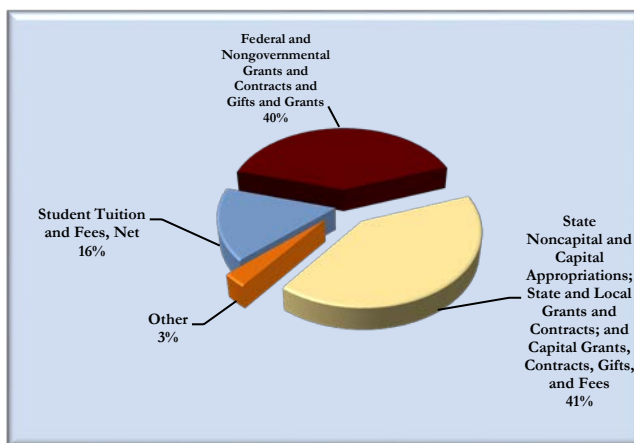
**Tuition-Paying Enrollment
(Full-Time Equivalent Students)**



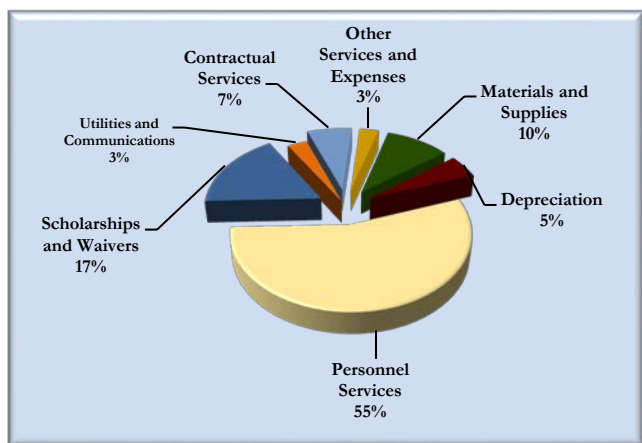
Operating expenses were \$219.2 million for the year, 55 percent of which represented personnel services expenses. Net nonoperating revenues of the College increased from \$132.9 million to \$147.3 million, mainly due to increases in State noncapital appropriations and Federal and State student financial assistance revenues. Other revenues were \$14.4 million, which mainly consist of State capital appropriations (PECO), capital improvement fees, and parking fees. State noncapital and State capital appropriations, State and local grants and contracts, and capital grants, contracts, gifts, and fees accounted for 41 percent of the College’s revenues. Total revenues for the year were \$222.9 million.

The College’s total revenues and operating expenses for 2010-11 fiscal year are presented in the following charts:

**Total Revenues: College
\$222.9 Million**



**Total Operating Expenses: College
\$219.2 Million**



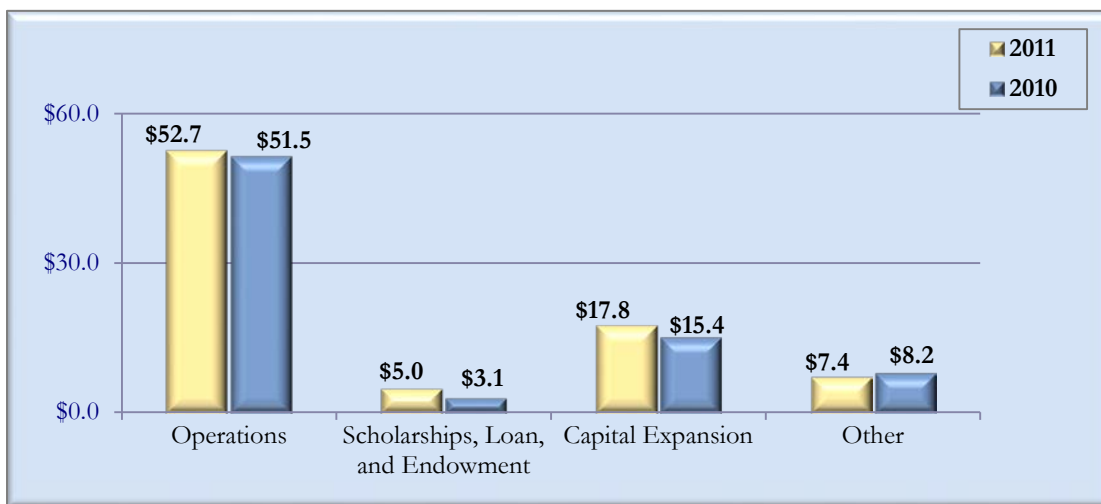
THE STATEMENT OF CASH FLOWS

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.

Cash and investment balances of the College were \$82.9 million at the end of the current fiscal year, an increase of \$4.7 million. Year-end cash and investment balances are shown in the chart below:

**Cash and Investment Balances at June 30: College
(In Millions)**



A summary of the College’s cash flows, and cash and investment balances, for the fiscal years ended June 30, 2011, and June 30, 2010, are presented in the following table:

**Cash Flows and Investment Balances: College
(In Thousands)**

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (146,730)	\$ (132,759)
Noncapital Financing Activities	142,303	134,902
Capital and Related Financing Activities	6,889	(1,369)
Investing Activities	256	(4,768)
Net Increase (Decrease) in Cash and Cash Equivalents	2,718	(3,994)
Cash and Cash Equivalents, Beginning of Year	22,995	26,989
Cash and Cash Equivalents, End of Year	25,713	22,995
Investments, End of Year	57,168	55,159
Total Cash and Investments	\$ 82,881	\$ 78,154

Major sources of funds came from State noncapital appropriations (\$74.4 million), noncapital gifts and grants (\$71 million), direct loan program receipts (\$39.2 million), net student tuition and fees (\$38.2 million), State capital appropriations (\$21.2 million), grants and contracts (\$18.6 million), and capital grants and gifts (\$4.9 million). Major uses of funds were for payments to employees (\$94.5 million), payments for employee benefits (\$24.4 million), payments to suppliers (\$44.2 million), payments for direct loan program disbursements (\$39.2 million), payments for scholarships (\$36.8 million), payments for utilities and communications (\$7.2 million), and payments for acquisition of capital assets (\$17 million).

The College’s overall cash and cash equivalents increased by \$2.7 million, or 11.8 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$14 million more in cash as compared to the prior year. The increase was primarily the result of an increase in payments for scholarships totaling \$6.9 million along with an increase in payments for employees and employee benefits of \$10 million, and a \$10.6 million decrease in receipts for tuition and fees, offset by a \$10.8 million increase in grants and contracts receipts and a net increase of \$2.7 million in other receipts and other payments.
- Noncapital financing activities provided \$7.4 million more cash as compared to the prior fiscal year. The increase was primarily the result of \$7.9 million in additional Federal Pell grants.
- Capital and related financing activities resulted in an increase of \$8.2 million in cash as compared to the prior fiscal year. The increase was primarily the result of a \$6.2 million decrease in capital asset purchases along with a \$2 million increase in State capital appropriations.
- Investing activities provided \$0.26 million in cash, which was \$5 million more than the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had \$353.5 million in capital assets, less accumulated depreciation of \$128.1 million, for net capital assets of \$225.4 million. Depreciation charges for the current fiscal year totaled \$9.8 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>2011</u>	<u>2010</u>
Land	\$ 8,217	\$ 8,217
Other Nondepreciable	15	15
Construction in Progress	2,186	20,367
Buildings	210,844	187,238
Other Structures and Improvements	648	722
Furniture, Machinery, and Equipment	<u>3,507</u>	<u>2,935</u>
Total Capital Assets, Net	<u>\$ 225,417</u>	<u>\$ 219,494</u>

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

At fiscal year-end, the College had \$6.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2011, and June 30, 2010:

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

	2011	2010
SBE Capital Outlay Bonds	\$ 4,920	\$ 5,475
Note Payable	1,940	3,251
Total	\$ 6,860	\$ 8,726

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. Additional information about the College's long-term debt is presented in the notes to financial statements.

FLORIDA STATE COLLEGE FOUNDATION, INC.

The Florida State College Foundation, Inc. (Foundation), experienced an increase in net assets from \$29.6 million at June 30, 2010, to \$37.8 million at June 30, 2011. This \$8.2 million increase is primarily attributable to investment gains, contributions, and Artist Series proceeds.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Florida State College at Jacksonville's economic condition is closely tied to that of the State of Florida. Because of limited economic growth, increased demand for State resources, and the expiration of Federal stimulus funding, a decrease in appropriations was anticipated for the 2011-12 fiscal year. In response to the anticipated decrease, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2011 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 (or other required supplementary information) and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President for Financial Services, Florida State College at Jacksonville, 501 West State Street, Jacksonville, Florida 32202.

BASIC FINANCIAL STATEMENTS

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	\$ 4,347,942
Restricted Cash and Cash Equivalents	8,270,772	
Investments	9,070,343	33,363,327
Restricted Investments	212,221	
Accounts Receivable, Net	3,219,377	
Notes Receivable, Net	177,796	
Due from Other Governmental Agencies	13,782,676	
Due from Component Unit/College	50,767	186,336
Inventories	74,122	
Deposits	150,000	
Total Current Assets	<u>35,008,074</u>	<u>37,897,605</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	17,442,800	
Investments	43,627,656	
Restricted Investments	4,257,508	
Depreciable Capital Assets, Net	214,998,493	
Nondepreciable Capital Assets	10,419,003	
Other Noncurrent Assets		12,667
Total Noncurrent Assets	<u>290,745,460</u>	<u>12,667</u>
TOTAL ASSETS	<u>\$ 325,753,534</u>	<u>\$ 37,910,272</u>
LIABILITIES		
Current Liabilities:		
Temporary Cash Overdraft	\$ 7,500,083	\$
Accounts Payable	1,320,438	
Salary and Payroll Taxes Payable	3,249,444	
Retainage Payable	164,848	
Due to Other Governmental Agencies	395	
Due to Component Unit/College	186,336	50,767
Deferred Revenue	3,543	
Estimated Claims Payable	1,885,981	
Deposits Held for Others	4,163,165	
Long-Term Liabilities - Current Portion:		
Bonds Payable	585,000	
Note Payable	1,358,957	
Compensated Absences Payable	1,600,000	
Total Current Liabilities	<u>22,018,190</u>	<u>50,767</u>
Noncurrent Liabilities:		
Bonds Payable	4,335,000	
Note Payable	580,690	
Special Termination Benefits Payable	386,440	
Compensated Absences Payable	13,015,015	
Other Postemployment Benefits Payable	2,161,756	
Total Noncurrent Liabilities	<u>20,478,901</u>	
TOTAL LIABILITIES	<u>42,497,091</u>	<u>50,767</u>

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 218,557,849	\$
Restricted:		
Nonexpendable:		
Endowments		29,608,044
Expendable:		
Grants and Other	6,051,991	6,151,350
Endowments	7,085,334	
Capital Projects	26,421,193	
Debt Service	106,013	
Unrestricted	25,034,063	2,100,111
Total Net Assets	283,256,443	37,859,505
TOTAL LIABILITIES AND NET ASSETS	\$ 325,753,534	\$ 37,910,272

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$31,689,664	\$ 35,568,750	\$
Federal Grants and Contracts	17,887,707	
State and Local Grants and Contracts	1,887,616	
Nongovernmental Grants and Contracts	251,651	
Sales and Services of Educational Departments	900,412	
Auxiliary Enterprises	3,460,932	6,449,901
Other Operating Revenues	898,115	3,589,743
	<hr/>	<hr/>
Total Operating Revenues	60,855,183	10,039,644
EXPENSES		
Operating Expenses:		
Personnel Services	121,195,798	560,893
Scholarships and Waivers	36,779,756	1,206,378
Utilities and Communications	7,198,849	
Contractual Services	15,454,175	6,027,498
Other Services and Expenses	6,425,614	620,502
Materials and Supplies	22,374,196	368,210
Depreciation	9,752,752	
	<hr/>	<hr/>
Total Operating Expenses	219,181,140	8,783,481
	<hr/>	<hr/>
Operating Income (Loss)	(158,325,957)	1,256,163
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	74,396,242	
Gifts and Grants	71,037,775	
Investment Income	2,263,876	5,472,262
Other Nonoperating Revenues	29,603	
Interest on Capital Asset-Related Debt	(404,044)	
	<hr/>	<hr/>
Net Nonoperating Revenues	147,323,452	5,472,262
	<hr/>	<hr/>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(11,002,505)	6,728,425
	<hr/>	<hr/>
State Capital Appropriations	9,412,220	
Capital Grants, Contracts, Gifts, and Fees	4,949,025	
Additions to Permanent Endowments		1,513,969
	<hr/>	<hr/>
Total Other Revenues	14,361,245	1,513,969
	<hr/>	<hr/>
Increase in Net Assets	3,358,740	8,242,394
Net Assets, Beginning of Year	279,897,703	29,617,111
	<hr/>	<hr/>
Net Assets, End of Year	\$ 283,256,443	\$ 37,859,505

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

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 38,179,795
Grants and Contracts	18,634,507
Payments to Suppliers	(44,249,307)
Payments for Utilities and Communications	(7,198,849)
Payments to Employees	(94,468,764)
Payments for Employee Benefits	(24,403,199)
Payments for Scholarships	(36,779,756)
Net Loans Issued to Students	(29,042)
Auxiliary Enterprises	3,446,683
Sales and Service of Educational Departments	900,412
Other Payments	(762,566)
	(146,730,086)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	74,396,242
Gifts and Grants Received for Other Than Capital or Endowment Purposes	71,037,775
Direct Loan Program Receipts	39,246,016
Direct Loan Program Disbursements	(39,246,016)
Other Nonoperating Disbursements	(3,130,283)
	142,303,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	21,167,452
Capital Grants and Gifts	4,949,025
Proceeds from Sale of Capital Assets	29,603
Purchases of Capital Assets	(16,986,318)
Principal Paid on Capital Debt and Leases	(1,866,498)
Interest Paid on Capital Debt and Leases	(404,044)
	6,889,220
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	36,354,657
Investment Income	2,103,391
Purchase of Investments	(38,202,541)
	255,507
Net Increase in Cash and Cash Equivalents	2,718,375
Cash and Cash Equivalents, Beginning of Year	22,995,197
Cash and Cash Equivalents, End of Year	\$ 25,713,572

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (158,325,957)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,752,752
Changes in Assets and Liabilities:	
Receivables, Net	1,064,062
Inventories	4,679
Loans to Students	(29,042)
Accounts and Other Payables	2,402,318
Deferred Revenue	(9,733)
Deposits Held for Others	(2,686,191)
Special Termination Benefits Payable	93,301
Compensated Absences Payable	543,993
Other Postemployment Benefits Payable	459,732
NET CASH USED BY OPERATING ACTIVITIES	\$ (146,730,086)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 160,485

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

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Florida State College at Jacksonville, 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 Duval and Nassau 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 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 Florida State College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The Foundation's financial statements also include the financial activity of its blended component unit, the Florida State College Foundation Real Estate Holding, Inc. (Holding Company). The Holding Company is a subsidiary of the Foundation and was formed exclusively to hold title to certain real property, and to collect and transfer its income to the Foundation in support of the Foundation's mission. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2011.

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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.

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.

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College's accounting system identifies the specific amounts paid for tuition and fees from students and third parties (e.g., financial aid, scholarships, etc.). To the extent that third-party resources are used to pay student charges, the College records a scholarship allowance against tuition and fee 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 cash with the State Board of Administration (SBA) in Florida PRIME. 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 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, 2011, the College reported as cash equivalents at fair value \$6,431 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, 2011, 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 maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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; capitalized collections; 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 \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, note 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. REPORTING CHANGES

In prior fiscal years, the College reported Federal military training continuing workforce education revenues, as student tuition and fees, net of scholarship allowances. However, for the 2010-11 fiscal year, the College began reporting these revenues as Federal grants and contracts, in part because of a change in reporting fundable student enrollment. This change affects the comparability of amounts reported as operating revenues for student tuition and fees and Federal grants and contracts on the statement of revenues, expenses, and changes in net assets for the 2010-11 fiscal year with amounts reported for the prior fiscal year.

3. 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,

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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.

The College's investments at June 30, 2011, are reported at fair value, as follows:

Investment Type	Debt Service Funds	Endowment Funds	Other College Funds	Total
Debt Securities:				
United States Government Obligations	\$	\$ 356,066	\$16,007,626	\$16,363,692
Federal Agency Obligations		196,821	17,888,990	18,085,811
Corporate Bonds and Notes		478,200	18,110,067	18,588,267
Total Debt Securities		1,031,087	52,006,683	53,037,770
Other Investments:				
State Board of Administration Fund B Surplus Funds Trust Fund			395,256	395,256
State Board of Administration Debt Service Accounts	106,013			106,013
Stocks and Other Equity Securities		3,233,375		3,233,375
Money Market Funds		99,254	296,060	395,314
Total Other Investments	106,013	3,332,629	691,316	4,129,958
Total College Investments	\$ 106,013	\$4,363,716	\$52,697,999	\$57,167,728

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.

At June 30, 2011, the College reported investments at fair value of \$395,256 in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 years. A portfolio's

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$106,013 at June 30, 2011, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Debt Securities and Other Investments

The following risks apply to the College's debt securities and other investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investments to a maximum average duration of the portfolio to no greater than 125 percent of the target benchmark's average duration. The policy also provides that the maximum effective maturity of an individual security will not be greater than five years, and the maximum average life of the portfolio will not be greater than three years. At June 30, 2011, the College had \$34,449,503 in obligations of the United States government and its agencies, with various call dates with final maturity dates between October 2011 and June 2040, having a weighted-average maturity of 3.32 years for endowment funds and 2.16 years for other College funds. Also, at June 30, 2011, the College had \$18,588,267 in corporate securities, with various call dates with final maturity dates between October 2011 and February 2021, with weighted-average maturities of 3.95 years for endowment funds and 2.54 years for other College funds. For the \$395,314 in money markets funds, the average maturity was 12 days for endowment funds and 20 days for other College funds. The overall weighted-average life of the other College fund's portfolio was 2.36 years as of June 30, 2011.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury bills, notes, bonds, strips and other obligations whose principal and interest is fully guaranteed by the United States of America, any of its agencies or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board and all other government sponsored agencies and enterprises.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

- Repurchase agreements that are collateralized by United States Treasury securities at 102 percent of cost.
- Certificates of deposit in State-certified qualified public depositories.
- Mortgage-backed securities guaranteed by the U.S. Government or a Federal agency.
- Money market funds, including, but not limited to, commercial paper, time deposits and bankers' acceptances, rated at least "A1/P1" or the equivalent by Standard & Poor's, Moody's, and all other nationally recognized credit rating organizations.
- Corporate bonds and notes with at least an "A" rating.
- Money market funds registered with the Securities and Exchange Commission and only invested in securities with the highest credit quality rating from a nationally recognized rating company.
- Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, which maintains a similar investment objective.

United States government obligations are not considered to have credit risk. As of June 30, 2011, the College's investments in Federal agency obligations (Government Sponsored Enterprises) are rated AAA by Standard & Poor's. Corporate debt securities have average credit quality ratings by Standard & Poor's of A- for endowment funds and AA- for other College funds.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book-entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's \$34,449,503 of investments in obligations of the United States government agencies and instrumentalities, and \$18,588,267 in corporate debt securities, are held by the safekeeping agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy provides that a maximum of five percent of the portfolio may be invested in securities of a single issuer. United States government and government agency-backed securities are not subject to this limitation.

Component Unit Investments

Investments held by the Foundation at June 30, 2011, are reported at fair value as follows:

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Investment Type	Fair Value	Weighted Average Life	Effective Duration	Average Credit Quality
Equities	\$ 20,869,960	(1)	(1)	(1)
Sawgrass Fixed Income Fund	4,312,313	2.8 years	2.5 years	Aaa**
Commonfund Fixed Income Fund	5,317,678	7.2 years	4 years	AA**
Limited Partnerships	1,608,295	(1)	(1)	(1)
Commonfund Commodities Fund	1,158,615	.9 years	0.1 years	AA+**
Real Property	55,000	(1)	(1)	(1)
Money Market Fund	17,791	(2)	(2)	AAAm**
Artwork	23,675	(1)	(1)	(1)
Total Investments	<u>\$ 33,363,327</u>			

Note: (1) Disclosure of maturity, duration and credit quality risk is not required for these investment types.

(2) Less than 30 days.

** Rating by Standard & Poor's

Interest Rate Risk: The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects.

Credit Risk: The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade.

Custodial Credit Risk: The Foundation's investment policy does not address custodial credit risk.

Concentration of Credit Risk: The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed five percent of the total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$680,530 allowance for uncollectable accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program of \$223,512. Notes receivable are reported net of a \$45,716 allowance for uncollectable notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$7,283,499 of Public Education Capital Outlay (PECO), \$1,431,494 of College Facility Enhancement Challenge Grant (Grant) allocations, \$2,233,910 of Federal military training

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

contracts, and \$1,930,495 of Federal direct student loans. The PECO and Grant funds are due from the State for construction of College facilities and may not be collected within one year.

7. INVENTORIES

Inventories consist of consumable materials and supplies of \$74,122 at the Central Stores Warehouse, and are valued using the average cost method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 8,217,504	\$	\$	\$ 8,217,504
Capitalized Collections	15,000			15,000
Construction in Progress	20,365,846	12,872,815	31,052,162	2,186,499
Total Nondepreciable Capital Assets	\$ 28,598,350	\$12,872,815	\$31,052,162	\$ 10,419,003
Depreciable Capital Assets:				
Buildings	\$ 281,357,763	\$31,016,751	\$	\$ 312,374,514
Other Structures and Improvements	3,357,408	35,411		3,392,819
Furniture, Machinery, and Equipment	25,969,002	2,803,885	1,454,269	27,318,618
Total Depreciable Capital Assets	310,684,173	33,856,047	1,454,269	343,085,951
Less, Accumulated Depreciation:				
Buildings	94,119,711	7,410,872		101,530,583
Other Structures and Improvements	2,635,389	109,291		2,744,680
Furniture, Machinery, and Equipment	23,033,874	2,232,589	1,454,269	23,812,194
Total Accumulated Depreciation	119,788,974	9,752,752	1,454,269	128,087,457
Total Depreciable Capital Assets, Net	\$ 190,895,199	\$24,103,295	\$	\$ 214,998,494

9. TEMPORARY CASH OVERDRAFT

The College maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the College's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2011. This did not, however, represent an overdraft in the College's depository account.

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10. CHANGES IN SHORT-TERM DEBT

During the fiscal year 2010-11, the College entered into an agreement with a commercial bank to borrow \$3,160,000, at a stated interest rate of 2.02 percent, to acquire the land for the Bartram Degree Completion Center. The land was not acquired until after June 30, 2011; however, the loan was paid in full on June 29, 2011, and incurred interest costs totaling \$35,817.

11. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, include bonds payable, note payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 5,475,000	\$	\$ 555,000	\$ 4,920,000	\$ 585,000
Note Payable	3,251,145		1,311,498	1,939,647	1,358,957
Special Termination Benefits Payable	293,139	93,301		386,440	
Compensated Absences Payable	14,071,022	2,113,392	1,569,399	14,615,015	1,600,000
Other Postemployment Benefits Payable	1,702,024	975,560	515,828	2,161,756	
Total Long-Term Liabilities	\$ 24,792,330	\$ 3,182,253	\$ 3,951,725	\$ 24,022,858	\$ 3,543,957

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2011:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005B, Refunding	<u>\$ 4,920,000</u>	5	2018

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

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JUNE 30, 2011**

<u>Fiscal Year Ending June 30</u>	<u>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 585,000	\$ 246,000	\$ 831,000
2013	620,000	216,750	836,750
2014	655,000	185,750	840,750
2015	695,000	153,000	848,000
2016	740,000	118,250	858,250
2017-2018	1,625,000	123,250	1,748,250
Total	\$ 4,920,000	\$ 1,043,000	\$ 5,963,000

Note Payable. Section 1009.23(12), Florida Statutes, provides that parking fee revenue may be pledged by a college board of trustees as a dedicated revenue source for the repayment of debt. During the 2005-06 fiscal year, the College entered into an agreement with a commercial bank to borrow \$8.7 million, at a stated interest rate of 3.56 percent, to construct a parking garage at the Deerwood Center for which final payment will be made during the 2012-13 fiscal year. Annual requirements to amortize the note payable outstanding at June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,358,957	\$ 47,018	\$ 1,405,975
2013	580,690	5,133	585,823
Total	\$ 1,939,647	\$ 52,151	\$ 1,991,798

Special Termination Benefits Payable. Effective July 1, 2004, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. The plan provides that once certain eligibility guidelines are met, benefit day credits of one-half to one full day are accrued for each month of service payable at various percentages in conjunction with the employee’s daily rate of pay at the time of separation. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College, and must be paid as a one-time lump-sum payment. At June 30, 2011, a liability for accrued plan benefits of \$386,440 for 12 employees was reported by the College as Special Termination Benefits Payable.

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, 2011, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$14,615,015. Of this amount, \$1.6 million is considered to be a current liability expected to be paid in the coming fiscal year, and represents the College’s estimate of leave payments plus

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benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2011-12 fiscal year based on an average of actual payments over the previous several years.

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

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the College's self-insured health insurance program for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College did not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. The Board of Trustees has established and may amend Plan contribution rates. Benefits under the Plan are pursuant to provisions of Section 112.0801, Florida Statutes and may be amended by the Board of Trustees. 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 2010-11 fiscal year, 162 retirees received other postemployment benefits. The College provided required contributions of \$515,828 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$950,839.

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

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 544,073
Amortization of Unfunded Actuarial Accrued Liability	386,953
Interest on Normal Cost and Amortization	37,241
Annual Required Contribution	968,267
Interest on Net OPEB Obligation	68,081
Adjustment to Annual Required Contribution	(60,788)
Annual OPEB Cost (Expense)	975,560
Contribution Toward the OPEB Cost	(515,828)
Increase in Net OPEB Obligation	459,732
Net OPEB Obligation, Beginning of Year	1,702,024
Net OPEB Obligation, End of Year	\$ 2,161,756

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of At June 30, 2011, and for the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 955,687	24.0%	\$ 1,164,774
2009-10	919,058	41.5%	1,702,024
2010-11	975,560	52.9%	2,161,756

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$9,798,279, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$9,798,279 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$73,250,012 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.4 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

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types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2009, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 10 percent for the 2010-11 fiscal year, reduced by 0.5 percent each year thereafter, to an ultimate rate of 5.5 percent after seven years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 26 years.

12. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to 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, 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.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

(B) Contribution rates are dependent upon retirement class or plan 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, 2009, June 30, 2010, and June 30, 2011, totaled \$4,745,767, \$4,242,868, and \$5,408,271, 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 338 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$1,262,626.

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

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 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 were 195 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$1,268,158.

13. SENIOR MANAGEMENT SERVICE CLASS LOCAL ANNUITY PROGRAM

Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for Florida Retirement System, Senior Management Service Class may elect to withdraw from the Florida Retirement System (FRS) altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College established a Senior Management Service Class Local Annuity Program (Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than the FRS. Under the program, the College contributes the same percentage of the participant's salary as would have been contributed to the FRS, for the Senior Management Service Optional Annuity Program toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2011, ten employees had opted to participate in the Program. Contributions made by the College to the program totaled \$199,955 during the 2010-11 fiscal year.

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks through a self-insured program and commercially purchased insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$300,000 per insured person per year with an aggregate medical claim cap of \$14 million for the calendar year 2011. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

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The College reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claims liabilities depend upon such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liabilities does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled \$1,610,199 as of June 30, 2011.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2009-10	\$ 1,478,577	\$ 10,917,400	\$(10,765,976)	\$ 1,630,001
2010-11	1,630,001	11,715,409	(11,735,211)	1,610,199

The Board has established an individual self-insured program to provide workers’ compensation coverage for its employees. The College’s liability was limited by excess reinsurance to \$350,000 per occurrence for the 2010-11 fiscal year. The program administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of \$275,782 discounted at a rate of three percent, at June 30, 2011.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2009-10	\$172,733	\$ 252,595	\$(160,015)	\$265,313
2010-11	265,313	189,529	(179,060)	275,782

Settled claims arising from the risks associated with the self-insured programs have not exceeded coverage in any of the past three fiscal years.

Commercially Purchased Insurance. The College’s insurance coverages for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability were obtained through commercially purchased insurance. The College has also designated net assets of \$4 million in recognition of its two percent wind and hail property damage deductible in the event of major storm damage.

Settled claims arising from these risks have not exceeded coverage in any of the past three fiscal years.

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JUNE 30, 2011**

15. 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 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	\$ 65,039,496
Education Enhancement Trust Fund (Lottery)	9,356,746
Gross Receipts Tax (Public Education Capital Outlay)	8,226,617
Florida Student Assistance Grants	4,917,901
Bright Futures Scholarship Program	3,174,546
Restricted Contracts and Grants	1,301,869
Motor Vehicle License Tax (Capital Outlay and Debt Service)	<u>1,185,603</u>
Total	<u><u>\$ 93,202,778</u></u>

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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Functional Classification	Amount
Instruction	\$ 71,195,153
Public Services	1,748,664
Academic Support	25,402,132
Student Services	18,502,889
Institutional Support	24,245,990
Operation and Maintenance of Plant	29,917,071
Scholarships and Fellowships	36,869,947
Auxiliary Enterprises	1,546,542
Depreciation	9,752,752
Total Operating Expenses	\$ 219,181,140

17. RELATED PARTY TRANSACTION

The College entered into an agreement with the Florida State College Foundation, Inc., to serve as the contracting agent and execute performance agreements for the FSCJ Artist Series, a co-sponsored program of the College and the Foundation that provides a wide variety of cultural events (theatre productions, concerts, etc.). The agreement was effective for the 2010-11 fiscal year and provided, in part, for the Foundation to reimburse the College \$800,000 from the Artist Series surplus as reimbursement for salaries, benefits, and administrative costs paid by the College, except that the College reserved the right to waive the reimbursement in part or whole in the best interest of the College. On June 7, 2011, the Board of Trustees approved waiving reimbursement for \$872,657 in Artist Series expenses incurred by the College, and the College elected to not bill the Foundation for \$618,194 in other Foundation support expenses. As a result of these transactions, the College provided in-kind contributions to the Foundation, totaling \$1,490,851 to support Foundation scholarship activities.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
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)	Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 10,585,442	\$ 10,585,442	0%	\$ 57,986,868	18.3%
7/1/2009	\$	\$ 9,798,279	\$ 9,798,279	0%	\$ 60,890,371	16.1%

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



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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 Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2012-073.

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 24, 2012