

# NORTH FLORIDA COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2012



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

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Vacant (3)	Madison

Mr. John Grosskopf, 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.  
(3) Position remained vacant from July 1, 2011, through June 30, 2012.

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 Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### 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 North Florida Community College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2013-043.

### 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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111 West Madison Street  
Tallahassee, Florida 32399-1450



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FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of North Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

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

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

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

Respectfully submitted,



David W. Martin  
March 20, 2013

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

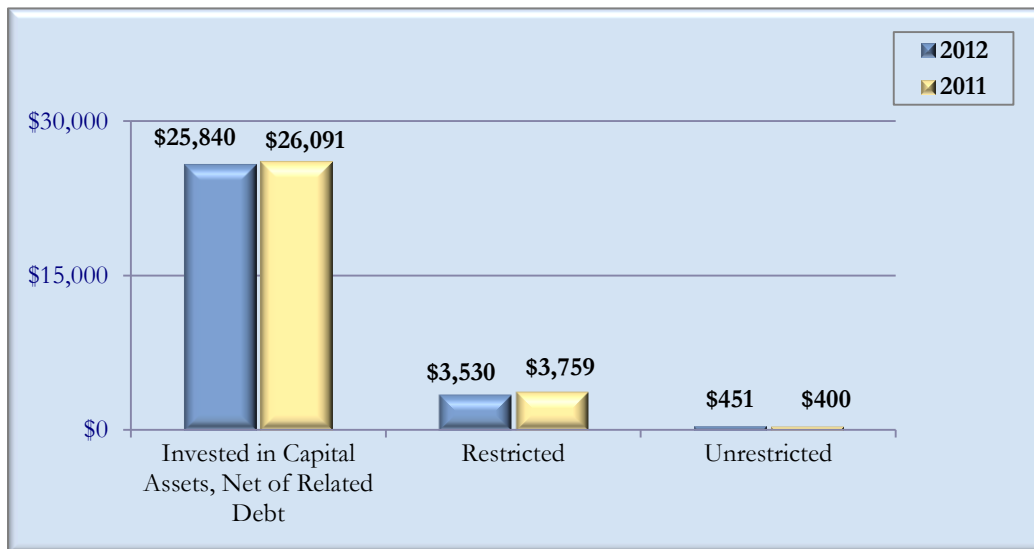
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$30.9 million at June 30, 2012. This balance reflects a \$0.6 million, or 1.8 percent, decrease as compared to the 2010-11 fiscal year, resulting from a decline in the amounts due from other governmental agencies for Public Education Capital Outlay appropriations. Liabilities decreased by a lesser amount of \$0.1 million, or 10 percent, totaling \$1.1 million at June 30, 2012, as compared to \$1.2 million at June 30, 2011. As a result, the College’s net assets decreased by \$0.4 million, resulting in a year-end balance of \$29.8 million.

The College’s operating revenues totaled \$2.2 million for the 2011-12 fiscal year, representing a 9.3 percent decrease as compared to the 2010-11 fiscal year due mainly to a decline in funding from grants and contracts. Operating expenses totaled \$12.6 million for the 2011-12 fiscal year, representing a decrease of 6.9 percent as compared to the 2010-11 fiscal year due mainly to decreased spending for materials and supplies and scholarship and waivers expense.

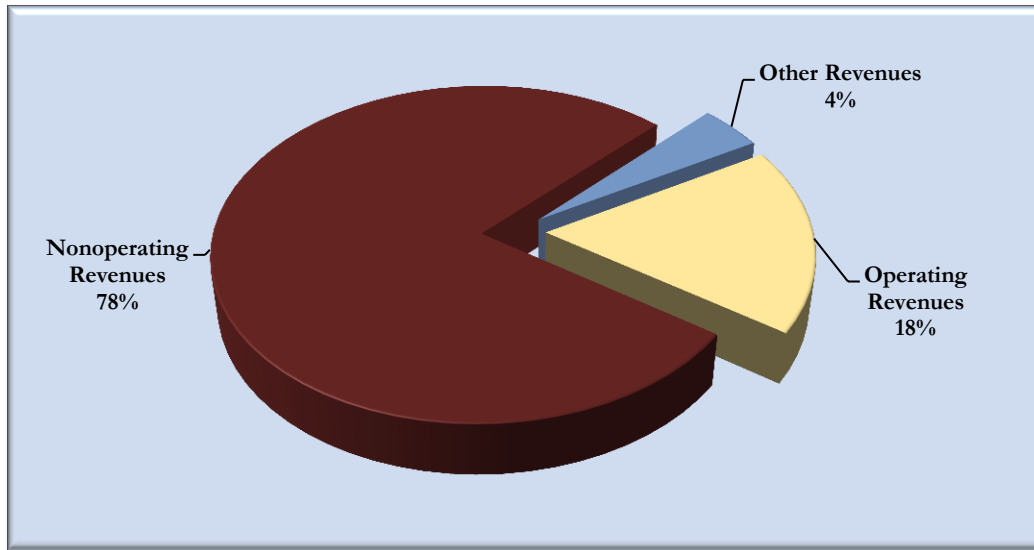
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

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



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

**Total Revenues: College**



**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
<b>Assets</b>				
Current Assets	\$ 3,788	\$ 3,692	\$ 252	\$ 3,152
Capital Assets, Net	25,840	26,091	29	29
Other Noncurrent Assets	1,302	1,702	2,884	
<b>Total Assets</b>	<u>30,930</u>	<u>31,485</u>	<u>3,165</u>	<u>3,181</u>
<b>Liabilities</b>				
Current Liabilities	498	531	7	
Noncurrent Liabilities	611	704		
<b>Total Liabilities</b>	<u>1,109</u>	<u>1,235</u>	<u>7</u>	
<b>Net Assets</b>				
Invested in Capital Assets	25,840	26,091	29	29
Restricted	3,530	3,759	3,117	3,131
Unrestricted	451	400	12	21
<b>Total Net Assets</b>	<u>\$ 29,821</u>	<u>\$ 30,250</u>	<u>\$ 3,158</u>	<u>\$ 3,181</u>
<b>Decrease in Net Assets</b>	<u>\$ (429) -1.4%</u>		<u>\$ (23) -0.7%</u>	

Total assets decreased by approximately \$0.6 million primarily due to a decline in amounts due from other governmental agencies for Public Education Capital Outlay appropriations for major construction projects.

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

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

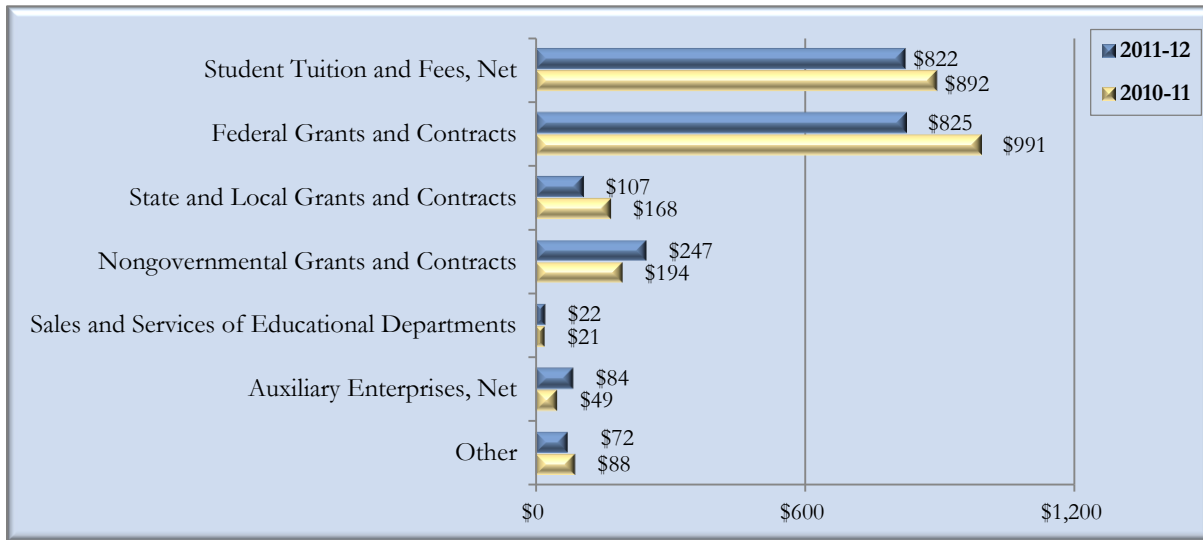
	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 822	\$ 892	\$	\$
Federal Grants and Contracts	825	991		
State and Local Grants and Contracts	107	168	229	227
Nongovernmental Grants and Contracts	247	194		
Sales and Services of Educational Departments	22	21		
Auxiliary Enterprises, Net of Scholarship Allowances	84	49		
Other Operating Revenues	72	88		
<b>Total Operating Revenues</b>	<b>2,179</b>	<b>2,403</b>	<b>229</b>	<b>227</b>
Less, Operating Expenses	12,622	13,556	335	233
<b>Operating Loss</b>	<b>(10,443)</b>	<b>(11,153)</b>	<b>(106)</b>	<b>(6)</b>
<b>Nonoperating Revenues</b>				
State Noncapital Appropriations	6,133	6,175		
Other Nonoperating Revenues	3,356	3,892	83	270
<b>Net Nonoperating Revenues</b>	<b>9,489</b>	<b>10,067</b>	<b>83</b>	<b>270</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(954)	(1,086)	(23)	264
State Capital Appropriations	368	576		
Capital Grants, Contracts, Gifts, and Fees	157	173		
<b>Increase (Decrease) in Net Assets</b>	<b>(429)</b>	<b>(337)</b>	<b>(23)</b>	<b>264</b>
Net Assets, Beginning of Year	30,250	30,587	3,181	2,917
<b>Net Assets, End of Year</b>	<b>\$ 29,821</b>	<b>\$ 30,250</b>	<b>\$ 3,158</b>	<b>\$ 3,181</b>

### Operating Revenues

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

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

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



College operating revenue changes were the result of a decrease in Federal and state and local grant funding of \$0.2 million, or 19.7 percent, partially offset by a combined increase in nongovernmental grants and contracts and net auxiliary enterprises of \$0.1 million, or 36.2 percent.

**Operating Expenses**

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

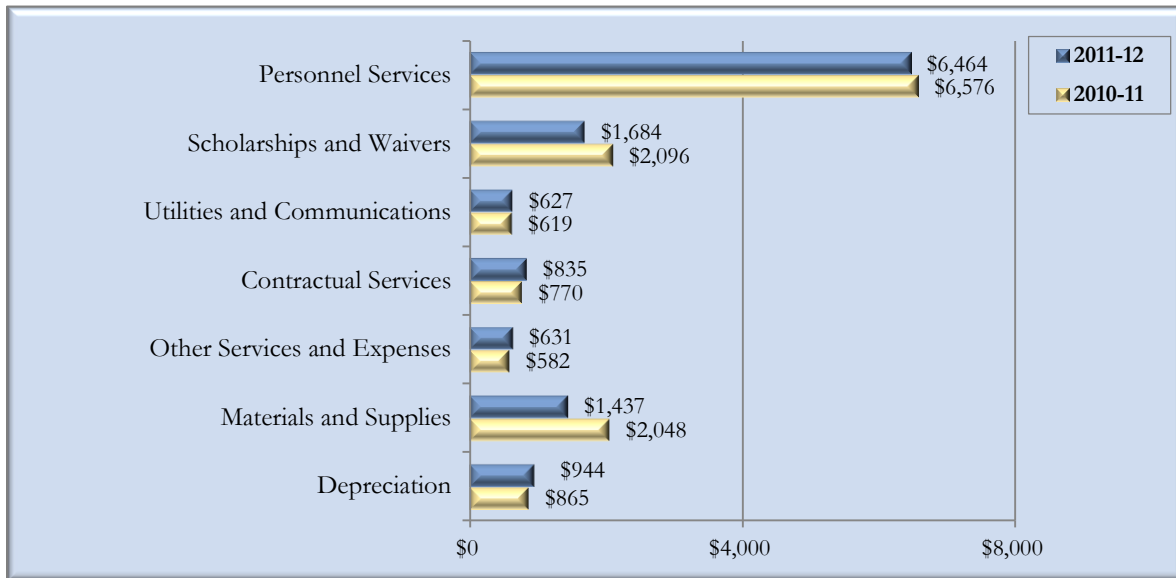
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

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

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
<b>Operating Expenses</b>				
Personnel Services	\$ 6,464	\$ 6,576	\$ 114	\$ 89
Scholarships and Waivers	1,684	2,096	194	119
Utilities and Communications	627	619		
Contractual Services	835	770	7	7
Other Services and Expenses	631	582	6	12
Materials and Supplies	1,437	2,048	14	6
Depreciation	944	865		
<b>Total Operating Expenses</b>	<b>\$ 12,622</b>	<b>\$ 13,556</b>	<b>\$ 335</b>	<b>\$ 233</b>

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

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



College operating expense changes were the result of a decrease of \$0.4 million, or 19.7 percent, in scholarships and waivers resulting from a decrease in the number of students receiving financial aid. In addition, materials and supplies decreased by \$0.6 million, or 29.8 percent, and personnel services decreased by \$0.1 million, or 1.7 percent, due to a decline in Public Education Capital Outlay funding and a decrease in the employer FRS contribution requirement, respectively.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Noncapital Appropriations	\$ 6,132	\$ 6,175
Federal and State Student Financial Aid	3,343	3,878
Investment Income	14	14
<b>Nonoperating Revenues</b>	<b>\$ 9,489</b>	<b>\$ 10,067</b>

Federal and State student financial aid decreased by \$0.5 million, or 13.8 percent, due to a decrease in Federal Pell grants due to a decline in student enrollment.

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

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	<u>2011-12</u>	<u>2010-11</u>
State Capital Appropriations	\$ 368	\$ 576
Capital Grants, Contracts, Gifts, and Fees	<u>157</u>	<u>173</u>
<b>Total</b>	<b><u>\$ 525</u></b>	<b><u>\$ 749</u></b>

Total other revenues decreased by \$0.2 million, or 29.9 percent, due to a decrease in State appropriations for Public Education Capital Outlay revenue and a decrease in capital improvement fees resulting from a decline in enrollment.

**THE STATEMENT OF CASH FLOWS**

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

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

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

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

	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (9,511)	\$ (10,454)
Noncapital Financing Activities	9,485	10,107
Capital and Related Financing Activities	215	(175)
Investing Activities	<u>26</u>	<u>33</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	215	(489)
Cash and Cash Equivalents, Beginning of Year	<u>4,541</u>	<u>5,030</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 4,756</u></b>	<b><u>\$ 4,541</u></b>

Major sources of funds came from State noncapital appropriations (\$6.1 million), Federal and State student financial assistance (\$3.3 million), grants and contracts (\$1.3 million), net student tuition and fees (\$0.8 million), and State capital appropriations (\$0.8 million). Major uses of funds were for payments to employees (\$5.4 million), payments to suppliers (\$2.9 million), payments for scholarships (\$1.7 million), and payments for employee benefits (\$1.2 million).

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

- The \$0.9 million decrease in cash outflows from operating activities is primarily due to decreases in payments to suppliers, payments for employee benefits, and payments for scholarships.

- The \$0.6 million decrease in cash inflows from noncapital financing activities is primarily due to a decrease in Federal Pell grant funds and a decrease in College Program Funds due to decreased student enrollment.
- The \$0.4 million increase in cash inflows from capital and related financing activities is primarily due to a decrease in purchases of capital assets offset by a decrease in capital appropriations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2012, the College had \$38.3 million in capital assets, less accumulated depreciation of \$12.5 million, for net capital assets of \$25.8 million. Depreciation charges for the current fiscal year totaled \$0.9 million. The following table summarizes the College’s capital assets at June 30:

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

Capital Assets	2012	2011
Land	\$ 457	\$ 449
Land Improvements	700	
Construction in Progress	6	201
Buildings	29,556	29,265
Other Structures and Improvements	5,834	5,984
Furniture, Machinery, and Equipment	1,777	1,739
<b>Total</b>	<b>38,330</b>	<b>37,638</b>
Less, Accumulated Depreciation:		
Buildings	8,590	8,088
Other Structures and Improvements	2,434	2,145
Furniture, Machinery, and Equipment	1,466	1,314
<b>Total Accumulated Depreciation</b>	<b>12,490</b>	<b>11,547</b>
<b>Capital Assets, Net</b>	<b>\$ 25,840</b>	<b>\$ 26,091</b>

Buildings increased by \$0.3 million due to the completion of two remodeling projects. Due to the reclassification of a nondepreciable asset, land improvements increased by \$0.7 million while other structures and improvements decreased by \$0.7 million offset by additions of \$0.6 million. More information about the College’s capital assets is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

North Florida Community College did not have any long-term debt outstanding during the 2011-12 fiscal year.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

North Florida Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding was anticipated in the 2012-13 fiscal year. In response to the anticipated decrease in State appropriations, the Board of Trustees increased the tuition rate 6.5 percent to take effect beginning with the Fall 2012 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

**REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,085,613.87	\$ 238,313.00
Restricted Cash and Cash Equivalents	2,427,798.43	
Accounts Receivable, Net	116,743.48	13,514.00
Due from Other Governmental Agencies	104,893.17	
Inventories	52,476.39	
<b>Total Current Assets</b>	<u>3,787,525.34</u>	<u>251,827.00</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,242,744.98	
Investments		2,884,457.00
Restricted Investments	59,205.56	
Depreciable Capital Assets, Net	24,676,609.23	
Nondepreciable Capital Assets	1,163,591.50	28,560.00
<b>Total Noncurrent Assets</b>	<u>27,142,151.27</u>	<u>2,913,017.00</u>
<b>TOTAL ASSETS</b>	<u>\$ 30,929,676.61</u>	<u>\$ 3,164,844.00</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 62,395.60	\$ 7,177.00
Salary and Payroll Taxes Payable	174,533.41	
Deferred Revenue	10,312.97	
Deposits Held for Others	218,485.05	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	31,726.17	
<b>Total Current Liabilities</b>	<u>497,453.20</u>	<u>7,177.00</u>
Noncurrent Liabilities:		
Compensated Absences Payable	579,561.50	
Other Postemployment Benefits Payable	31,868.00	
<b>Total Noncurrent Liabilities</b>	<u>611,429.50</u>	
<b>TOTAL LIABILITIES</b>	<u>1,108,882.70</u>	<u>7,177.00</u>

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

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	\$ 25,840,200.73	\$ 28,560.00
Restricted:		
Nonexpendable:		
Endowment		1,708,691.00
Expendable:		
Grants and Loans	2,283,824.63	40,321.00
Scholarships		1,367,869.00
Capital Projects	1,246,360.67	
Unrestricted	450,407.88	12,226.00
<b>Total Net Assets</b>	<b>29,820,793.91</b>	<b>3,157,667.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,929,676.61</b>	<b>\$ 3,164,844.00</b>

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

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

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,760,974.63	\$ 821,976.39	\$
Federal Grants and Contracts	824,635.01	
State and Local Grants and Contracts	107,403.82	228,885.00
Nongovernmental Grants and Contracts	246,953.80	
Sales and Services of Educational Departments	21,689.22	
Auxiliary Enterprises, Net of Scholarship Allowances of \$359,680.58	84,123.81	
Other Operating Revenues	71,847.83	
<b>Total Operating Revenues</b>	<u>2,178,629.88</u>	<u>228,885.00</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	6,463,960.81	114,055.00
Scholarships and Waivers	1,684,131.30	194,050.00
Utilities and Communications	627,019.21	
Contractual Services	835,447.68	7,250.00
Other Services and Expenses	630,637.58	6,477.00
Materials and Supplies	1,437,187.25	13,715.00
Depreciation	943,653.72	
<b>Total Operating Expenses</b>	<u>12,622,037.55</u>	<u>335,547.00</u>
<b>Operating Loss</b>	<u>(10,443,407.67)</u>	<u>(106,662.00)</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
State Noncapital Appropriations	6,132,612.00	
Federal and State Student Financial Aid	3,342,878.86	
Investment Income	13,712.32	92,262.00
Loss on Investments		(9,377.00)
<b>Net Nonoperating Revenues and Expenses</b>	<u>9,489,203.18</u>	<u>82,885.00</u>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(954,204.49)</u>	<u>(23,777.00)</u>
State Capital Appropriations	367,577.00	
Capital Grants, Contracts, Gifts, and Fees	156,944.61	
<b>Total Other Revenues</b>	<u>524,521.61</u>	
<b>Decrease in Net Assets</b>	<u>(429,682.88)</u>	<u>(23,777.00)</u>
Net Assets, Beginning of Year	30,250,476.79	3,181,444.00
<b>Net Assets, End of Year</b>	<u>\$ 29,820,793.91</u>	<u>\$ 3,157,667.00</u>

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

**NORTH FLORIDA COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 802,989.00
Grants and Contracts	1,275,645.34
Payments to Suppliers	(2,915,009.04)
Payments for Utilities and Communications	(627,019.21)
Payments to Employees	(5,386,126.64)
Payments for Employee Benefits	(1,154,898.86)
Payments for Scholarships	(1,684,131.30)
Auxiliary Enterprises, Net	84,123.81
Sales and Service of Educational Departments	21,689.22
Other Receipts	71,847.83
	<b>Net Cash Used by Operating Activities</b>
	(9,510,889.85)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	6,132,612.00
Federal and State Student Financial Aid	3,342,878.86
Other Nonoperating Receipts	9,801.38
	<b>Net Cash Provided by Noncapital Financing Activities</b>
	9,485,292.24
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	797,771.00
Capital Grants and Gifts	156,944.61
Purchases of Capital Assets	(740,116.59)
	<b>Net Cash Provided by Capital and Related Financing Activities</b>
	214,599.02
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	12,000.90
Investment Income	13,712.32
	<b>Net Cash Provided by Investing Activities</b>
	25,713.22
<b>Net Increase in Cash and Cash Equivalents</b>	214,714.63
Cash and Cash Equivalents, Beginning of Year	4,541,442.65
	<b>Cash and Cash Equivalents, End of Year</b>
	\$ 4,756,157.28

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (10,443,407.67)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	943,653.72
Changes in Assets and Liabilities:	
Receivables, Net	67,352.35
Inventories	11,164.00
Accounts Payable	(30,976.97)
Deferred Revenue	10,312.97
Compensated Absences Payable	(64,394.25)
Other Postemployment Benefits Payable	(4,594.00)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (9,510,889.85)</b>

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

**NORTH FLORIDA COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the North Florida Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2012, on file in the College's administrative office.

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, administers property, and makes expenditures to or for the benefit of the College.

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

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

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

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

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

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

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

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

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

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

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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees and auxiliary revenue.

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

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

At June 30, 2012, the College reported as cash equivalents \$3,317,467.30 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of 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; land improvements; 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.

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

The College has a capitalization threshold of \$5,000 for tangible personal property and for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 50 years
- Other Structures and Improvements – 10 to 40 years
- Furniture, Machinery, and Equipment – 5 years

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

## 2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

### **State Board of Administration Fund B Surplus Funds Trust Fund**

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

At June 30, 2012, the College reported investments at fair value of \$59,205.56 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

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

**Component Unit Investments**

Investments of the North Florida Community College Foundation, Inc., at March 31, 2012, totaled \$2,884,457 and are reported at the fair market value based on quoted market prices. These investments consist of fixed-income securities of \$1,089,296 and equity securities of \$1,795,161.

**3. ACCOUNTS RECEIVABLE**

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

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$94,192.17 of allocations due from the Federal government for grants.

**5. INVENTORIES**

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

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 449,245.45	\$ 8,000.00	\$	\$ 457,245.45
Land Improvements		700,146.52		700,146.52
Construction in Progress	200,654.32	6,199.53	200,654.32	6,199.53
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 649,899.77</b>	<b>\$ 714,346.05</b>	<b>\$ 200,654.32</b>	<b>\$ 1,163,591.50</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 29,265,248.37	\$ 290,125.29	\$	\$ 29,555,373.66
Other Structures and Improvements	5,983,786.53	550,536.28	700,146.52	5,834,176.29
Furniture, Machinery, and Equipment	1,738,931.00	38,337.69		1,777,268.69
<b>Total Depreciable Capital Assets</b>	<b>36,987,965.90</b>	<b>878,999.26</b>	<b>700,146.52</b>	<b>37,166,818.64</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	8,087,868.58	502,051.50		8,589,920.08
Other Structures and Improvements	2,144,802.12	289,542.79		2,434,344.91
Furniture, Machinery, and Equipment	1,313,884.99	152,059.43		1,465,944.42
<b>Total Accumulated Depreciation</b>	<b>11,546,555.69</b>	<b>943,653.72</b>		<b>12,490,209.41</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 25,441,410.21</b>	<b>\$ (64,654.46)</b>	<b>\$ 700,146.52</b>	<b>\$ 24,676,609.23</b>

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

**7. LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 675,681.92	\$ 28,733.31	\$ 93,127.56	\$ 611,287.67	\$ 31,726.17
Other Postemployment Benefits Payable	36,462.00	10,924.00	15,518.00	31,868.00	
<b>Total Long-Term Liabilities</b>	<b>\$ 712,143.92</b>	<b>\$ 39,657.31</b>	<b>\$ 108,645.56</b>	<b>\$ 643,155.67</b>	<b>\$ 31,726.17</b>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$611,287.67. The current portion of the compensated absences liability, \$31,726.17 is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

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

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB)

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

costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 20 retirees received postemployment healthcare benefits. The College provided required contributions of \$15,518 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 \$115,067.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 5,849
Amortization of Unfunded Actuarial Accrued Liability	<u>4,832</u>
<b>Annual Required Contribution</b>	10,681
Interest on Net OPEB Obligation	1,458
Adjustment to Annual Required Contribution	<u>(1,215)</u>
<b>Annual OPEB Cost (Expense)</b>	10,924
Contribution Toward the OPEB Cost	<u>(15,518)</u>
<b>Decrease in Net OPEB Obligation</b>	(4,594)
Net OPEB Obligation, Beginning of Year	<u>36,462</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 31,868</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 18,381	64.7%	\$ 28,804
2010-11	18,381	58.3%	36,462
2011-12	10,924	142.1%	31,868

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$144,948, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$144,948 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$3,667,000 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4 percent.

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

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

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include 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, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent pre-Medicare and 8.5 percent Medicare, for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

## **8. RETIREMENT PROGRAMS**

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at

**NORTH FLORIDA COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

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

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.  
(B) Contribution rates are dependent upon retirement class in which reemployed.

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$392,136, \$422,250, and \$279,170, respectively, which were equal to the required contributions for each fiscal year.

**NORTH FLORIDA COMMUNITY COLLEGE  
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JUNE 30, 2012**

There were 17 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$62,289, which was equal to the required contribution for the 2011-12 fiscal year.

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

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

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

There was one College participant during the 2011-12 fiscal year. The College's contributions to the Program totaled \$5,608 and employee contributions totaled \$2,229 for the 2011-12 fiscal year.

## **9. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million to February 29, 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**NORTH FLORIDA COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Dental, vision, and long-term disability coverage are provided through purchased commercial insurance.

**10. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 3,822,332.44
Public Services	239,240.35
Academic Support	1,674,156.02
Student Services	798,141.42
Institutional Support	1,499,813.64
Operation and Maintenance of Plant	1,643,253.87
Scholarships and Waivers	1,860,609.27
Depreciation	943,653.72
Auxiliary Enterprises	140,836.82
<b>Total Operating Expenses</b>	<b>\$ 12,622,037.55</b>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 166,390	\$ 166,390	0%	\$ 5,967,907	2.8%
7/1/2009		160,937	160,937	0%	4,559,802	3.5%
7/1/2011		144,948	144,948	0%	3,667,000	4.0%

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

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**NORTH FLORIDA COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT PLAN**

The July 1, 2011, unfunded actuarial accrued liability of \$144,948 was lower than the July 1, 2009, liability of \$160,937 as a result of the following:

- Demographic assumptions (rates of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.



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

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

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

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2013-043.

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

Respectfully submitted,



David W. Martin  
March 20, 2013