

FLORIDA STATE COLLEGE AT JACKSONVILLE

Financial Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENTS

Members of the Board of Trustees and Presidents who served during the 2012-13 fiscal year are listed below:

	<u>County</u>
Gwendolyn Yates, Vice Chair to 9-30-12, Chair from 10-1-12 (1)	Duval
Candace T. Holloway, Vice Chair from 10-1-12	Nassau
James E. McCollum to 12-31-12, Chair to 9-30-12 (2)	Nassau
Bruce E. Barcelo to 5-31-13, Vice Chair from 12-4-12 to 5-31-13 (3) (4)	Duval
Major General Douglas Burnett, (Ret.) to 11-21-12, Vice Chair from 10-1-12 to 11-21-12 (4) (5)	Duval
Suane Z. Thamm to 5-31-13, Vice Chair to 9-30-12	Nassau
Karen E. Bowling	Duval
Thomas A. Bryan from 12-3-12 (5)	Duval
Rear Admiral Kevin F. Delaney, USN (Ret.) to 11-1-12 (6)	Duval
Thomas J. Majdanics from 6-1-13	Duval
Jim L. Mayo from 5-31-13 (2)	Nassau
Thomas R. McGehee, Jr.	Duval
Randle P. Shoemaker-Crump from 12-3-12 (6)	Duval
Dr. Patricia F. White from 6-1-13	Nassau

Dr. Steven R. Wallace, President to December 31, 2012

Dr. Judith H. Bilsky, Acting President from January 1, 2013,
to January 21, 2013

Dr. Willis N. Holcombe, Interim President from January 22, 2013

- Notes:
- (1) Board member served beyond the end of term, May 31, 2013.
 - (2) Board member resigned on December 31, 2012, and position remained vacant until replaced on May 31, 2013.
 - (3) Vice Chair position remained vacant from June 1, 2013, through June 30, 2013.
 - (4) Vice Chair position remained vacant from November 22, 2012, through December 3, 2012.
 - (5) Board member resigned on November 21, 2012, and position remained vacant until replaced on December 3, 2012.
 - (6) Board member resigned on November 1, 2012, and position remained vacant until replaced on December 3, 2012.

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 Randy R. Arend, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether 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, 2013. 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. 2014-085.

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

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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

Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State College at Jacksonville and of its discretely presented component unit as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida State College at Jacksonville's basic financial statements. The accompanying **SCHEDULE OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL**, as listed in the table of contents, is presented for purposes of additional analysis as required by the Ordinance Code of the City of Jacksonville, Section 118, Part 2, and is not a required part of the basic financial statements.

The **SCHEDULE OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL** is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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* in considering Florida State College at Jacksonville's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2014

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, 2013, 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 and its component unit, the Florida State College Foundation, Inc., for the fiscal years ended June 30, 2013, and June 30, 2012.

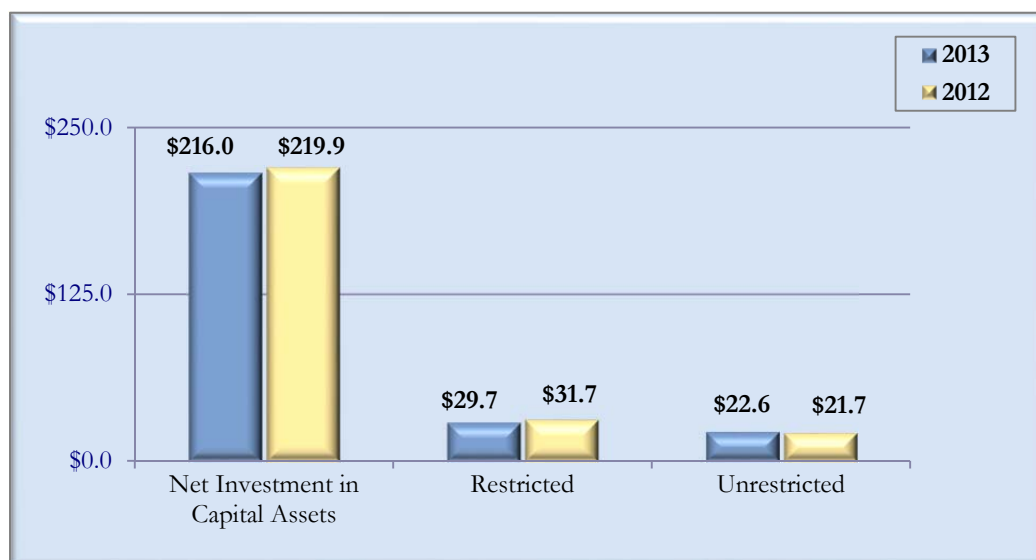
FINANCIAL HIGHLIGHTS

The College's assets totaled \$299.8 million at June 30, 2013. This balance reflects a \$13.7 million, or 4.4 percent, decrease as compared to the 2011-12 fiscal year, resulting mainly from decreases in depreciable capital assets (\$5.8 million) and noncurrent investments (\$6.4 million). Liabilities decreased by a lesser amount of \$8.8 million, or 21.8 percent, totaling \$31.5 million at June 30, 2013, as compared to \$40.3 million at June 30, 2012, resulting mainly from a \$5 million decrease in due to other governmental agencies. As a result, the College's net position decreased by \$5 million, resulting in a year-end balance of \$268.3 million.

The College's operating revenues totaled \$60.9 million for the 2012-13 fiscal year, representing a 0.3 percent increase as compared to the 2011-12 fiscal year. Operating expenses totaled \$205.5 million for the 2012-13 fiscal year, representing a decrease of 3.6 percent as compared to the 2011-12 fiscal year due mainly to decreases in scholarships and waivers and materials and supplies expenses.

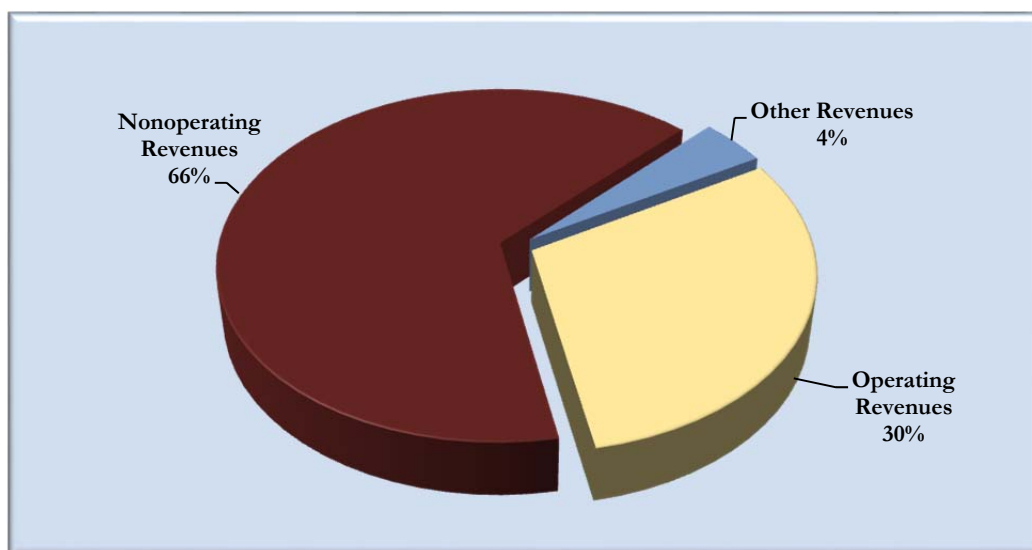
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2012-13 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

- 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) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET POSITION

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

A condensed statement of assets, liabilities, and net position of the College and its component unit as of June 30, 2013, and June 30, 2012, is shown in the following table:

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

	College		Component Unit	
	6-30-13	6-30-12	6-30-13	6-30-12
Assets				
Current Assets	\$ 27,572	\$ 24,615	\$ 4,121	\$ 38,789
Capital Assets, Net	219,723	224,780		
Other Noncurrent Assets	52,493	64,132	38,029	14
Total Assets	299,788	313,527	42,150	38,803
Liabilities				
Current Liabilities	10,873	19,685	65	86
Noncurrent Liabilities	20,601	20,562		
Total Liabilities	31,474	40,247	65	86
Net Position				
Net Investment in Capital Assets	216,008	219,864		
Restricted	29,679	31,713	40,861	36,490
Unrestricted	22,627	21,703	1,224	2,226
Total Net Position	\$ 268,314	\$ 273,280	\$ 42,085	\$ 38,717

The largest portion of the College's net position (80.5 percent) is its net investment in capital assets (e.g., land; buildings; 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 position (11.1 percent) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (8.4 percent) may be used to meet the College's ongoing obligations to students, employees, and creditors.

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

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

The following summarizes the activities of the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	2012-13	2011-12	2012-13	2011-12
Operating Revenues	\$ 60,850	\$ 60,651	\$ 6,838	\$ 13,175
Less, Operating Expenses	205,470	213,072	7,848	12,456
Operating Income (Loss)	(144,620)	(152,421)	(1,010)	719
Net Nonoperating Revenues (Expenses)	131,063	134,551	4,180	(410)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(13,557)	(17,870)	3,170	309
Other Revenues	8,591	7,894	198	549
Net Increase (Decrease) In Net Position	(4,966)	(9,976)	3,368	858
Net Position, Beginning of Year	273,280	283,256	38,717	37,859
Net Position, End of Year	<u>\$ 268,314</u>	<u>\$ 273,280</u>	<u>\$ 42,085</u>	<u>\$ 38,717</u>

Operating Revenues

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

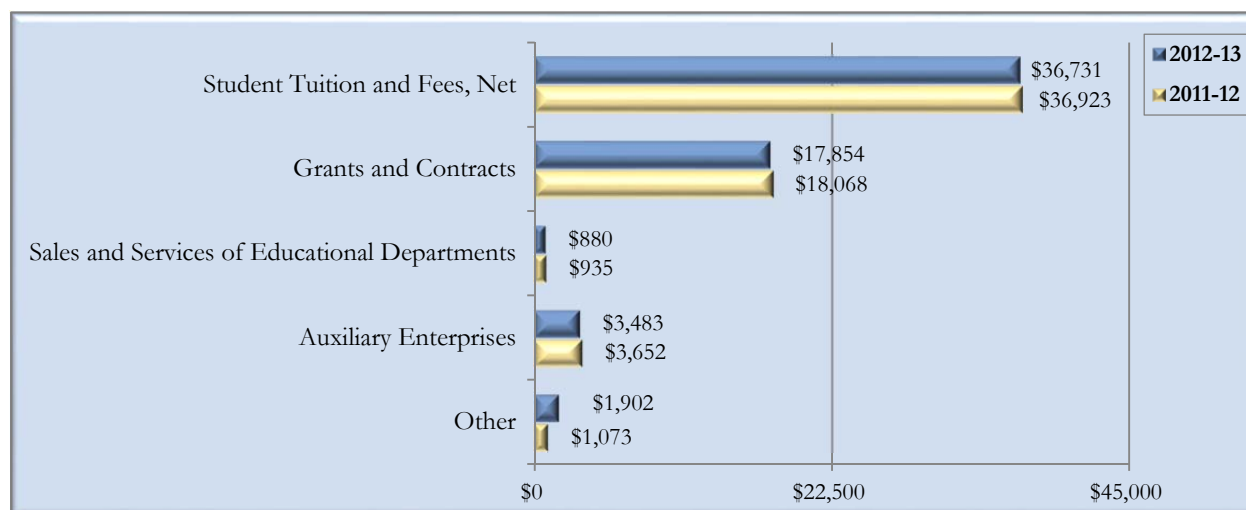
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	2012-13	2011-12	2012-13	2011-12
Student Tuition and Fees, Net	\$ 36,731	\$ 36,923	\$	\$
Grants and Contracts	17,854	18,068		
Sales and Services of Educational Departments	880	935		
Auxiliary Enterprises	3,483	3,652	4,613	9,768
Other	1,902	1,073	2,225	3,407
Total Operating Revenues	<u>\$ 60,850</u>	<u>\$ 60,651</u>	<u>\$ 6,838</u>	<u>\$ 13,175</u>

The following chart presents the College's operating revenues for the 2012-13 and 2011-12 fiscal years:

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



College operating revenues remained fairly consistent when compared to the prior fiscal year.

Operating Expenses

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

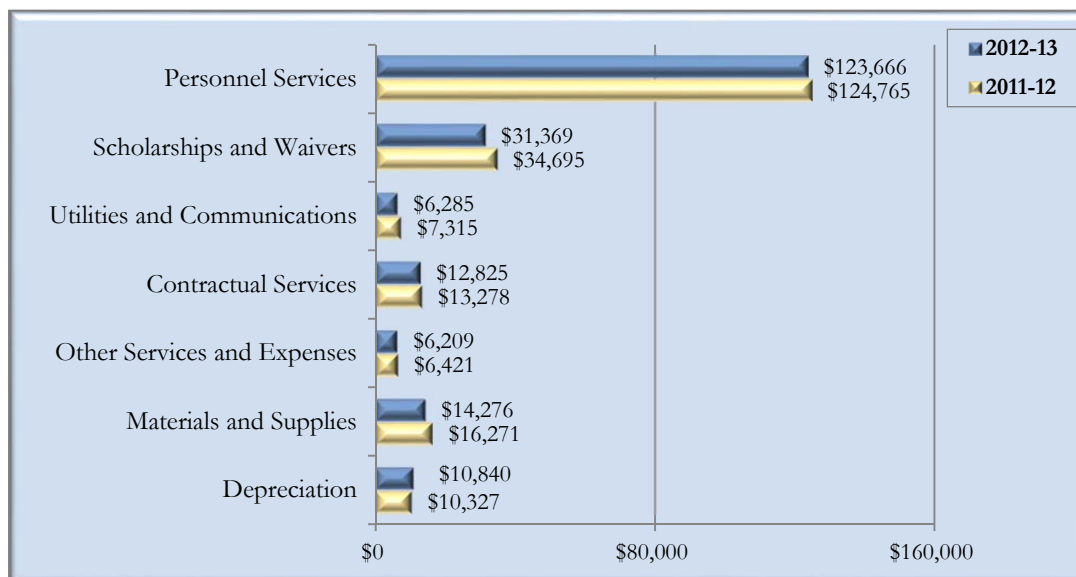
The following summarizes operating expenses by natural classification for the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	2012-13	2011-12	2012-13	2011-12
Personnel Services	\$ 123,666	\$ 124,765	\$ 614	\$ 627
Scholarships and Waivers	31,369	34,695	1,472	1,283
Utilities and Communications	6,285	7,315		
Contractual Services	12,825	13,278	4,886	9,385
Other Services and Expenses	6,209	6,421	615	698
Materials and Supplies	14,276	16,271	261	463
Depreciation	10,840	10,327		
Total Operating Expenses	\$ 205,470	\$ 213,072	\$ 7,848	\$ 12,456

The following chart presents the College's operating expenses for the 2012-13 and 2011-12 fiscal years:

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



College operating expense changes were the result of cost-cutting measures by the College, such as reducing adjunct, overload, and part-time employee expenses, as well as reducing other operating expenses. In addition, scholarships and waivers decreased by \$3.3 million as a result of a decline in enrollment.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Noncapital Appropriations	\$ 73,723	\$ 73,756
Federal and State Student Financial Aid	55,906	62,694
Gifts and Grants	139	1,965
Investment Income	1,260	1,216
Proceeds from Sale of Capital Assets	75	
Gain on Disposal of Capital Assets	392	32
Interest on Capital Asset-Related Debt	(222)	(293)
Other Nonoperating Expenses	(210)	(4,819)
Net Nonoperating Revenues	\$131,063	\$134,551

The decrease in nonoperating revenues of \$3.5 million, or 2.6 percent, is primarily due a \$6.8 million decrease in Federal and State student financial aid revenues related to the decrease in student enrollment and the College's implementation of more stringent student eligibility assessments for Federal aid, offset by a \$4.6 million decrease in

other nonoperating expenses because of a non-routine expense in the prior fiscal year to repay Federal student financial aid moneys resulting from a final audit determination.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College		
(In Thousands)		
	<u>2012-13</u>	<u>2011-12</u>
State Capital Appropriations	\$ 2,485	\$ 1,735
Capital Grants, Contracts, Gifts, and Fees	<u>6,106</u>	<u>6,159</u>
Total	<u>\$ 8,591</u>	<u>\$ 7,894</u>

Other revenues increased slightly due to an increase in the State Public Educational Capital Outlay (PECO) appropriation for maintenance and renovations of College facilities.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

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

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows: College		
(In Thousands)		
	<u>2012-13</u>	<u>2011-12</u>
Cash Provided (Used) by:		
Operating Activities	\$ (132,545)	\$ (142,591)
Noncapital Financing Activities	123,615	135,293
Capital and Related Financing Activities	288	1,668
Investing Activities	<u>4,335</u>	<u>(1,777)</u>
Net Decrease in Cash and Cash Equivalents	(4,307)	(7,407)
Cash and Cash Equivalents, Beginning of Year	<u>18,306</u>	<u>25,713</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,999</u>	<u>\$ 18,306</u>

Major sources of funds came from State noncapital appropriations (\$73.7 million), Federal and State Student financial aid (\$55.9 million), Federal Direct Loan Program Receipts (\$46.1 million), net student tuition and fees (\$39.4 million),

grants and contracts (\$17.3 million), collections on loans to students (\$7.3 million), capital grants and gifts (\$5.6 million), and State capital appropriations (\$2.3 million). Major uses of funds were for payments to employees (\$100.4 million), payments for employee benefits (\$23.6 million), payments for Federal Direct Loan Program Disbursements (\$46.1 million), payments to suppliers (\$33.3 million), payments for scholarships (\$31.4 million), payments for loans issued to students (\$7.3 million), payments for acquisition of capital assets (\$6.6 million), and payments for utilities and communications (\$6.3 million).

The College's overall cash and cash equivalents decreased by \$4.3 million, or 23.5 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$10 million less in cash as compared to the prior fiscal year. The decrease was the result of a \$5.3 million increase in receipts for tuition and fees primarily from the receipt of the prior year's receivables from third parties. In addition, there were decreases in payments for scholarships and payments to suppliers of \$3.3 million and \$2.7 million, respectively.
- Noncapital financing activities provided \$11.7 million less cash as compared to the prior fiscal year. The decrease was primarily the result of a \$6.8 million decrease in Federal and State student financial aid receipts related to the decrease in student enrollment and the College's implementation of more stringent student eligibility assessments for Federal aid and a \$1.8 million decrease in gifts and grants, mainly due to the expiration of Federal economic stimulus program funds. In addition, other nonoperating disbursements increased by \$1.1 million as compared to the prior fiscal year.
- Capital and related financing activities resulted in a decrease of \$1.4 million in cash as compared to the prior fiscal year. The decrease was primarily the result of a \$5.2 million decrease in State capital appropriations receipts, offset by a \$3.2 million decrease in capital asset purchases.
- Investing activities provided \$4.3 million in cash, which was \$6.1 million more than the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College had \$367.3 million in capital assets, less accumulated depreciation of \$147.6 million, for net capital assets of \$219.7 million. Depreciation charges for the current fiscal year totaled \$10.8 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2013</u>	<u>2012</u>
Land	\$ 12,001	\$ 12,001
Other Nondepreciable	89	15
Construction in Progress	2,458	1,814
Buildings	198,922	204,213
Other Structures and Improvements	2,484	2,800
Furniture, Machinery, and Equipment	<u>3,769</u>	<u>3,937</u>
Capital Assets, Net	<u>\$ 219,723</u>	<u>\$ 224,780</u>

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

DEBT ADMINISTRATION

As of June 30, 2013, the College had \$3.7 million in long-term debt outstanding, representing a decrease of \$1.2 million, or 24.4 percent, from the prior fiscal year as a result of principal payments on long-term debt. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2013, and June 30, 2012:

Long-Term Debt, at June 30: College		
(In Thousands)		
	<u>2013</u>	<u>2012</u>
SBE Capital Outlay Bonds	\$ 3,715	\$ 4,335
Note Payable		<u>581</u>
Total	<u>\$ 3,715</u>	<u>\$ 4,916</u>

Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a modest increase in State funding for operations is anticipated in the 2013-14 fiscal year. In addition, the Board of Trustees increased the tuition rates by 2 percent effective beginning with the Fall 2013 term. The College's current financial and capital plans indicate that an infusion of additional financial resources will be necessary to maintain the 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 Chief Financial Officer, 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 POSITION June 30, 2013

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,826,230	\$ 4,064,795
Restricted Cash and Cash Equivalents	5,756,625	
Investments	7,342,308	
Restricted Investments	2,665,941	
Accounts Receivable, Net	3,480,250	
Notes Receivable, Net	153,154	
Due from Other Governmental Agencies	5,161,364	
Due from Component Unit	65,248	
Inventories	108,651	
Prepaid Expenses	11,732	56,521
Total Current Assets	27,571,503	4,121,316
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,416,516	
Investments	34,591,389	38,020,694
Restricted Investments	12,485,740	
Depreciable Capital Assets, Net	205,175,097	
Nondepreciable Capital Assets	14,547,808	
Other Noncurrent Assets		8,355
Total Noncurrent Assets	272,216,550	38,029,049
TOTAL ASSETS	299,788,053	42,150,365
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,345,778	
Salary and Payroll Taxes Payable	2,040,929	
Retainage Payable	53,420	
Due to Other Governmental Agencies	567	
Due to College		65,248
Unearned Revenue	114,672	
Estimated Claims Payable	2,392,489	
Deposits Held for Others	2,670,257	
Long-Term Liabilities - Current Portion:		
Bonds Payable	655,000	
Compensated Absences Payable	1,600,000	
Total Current Liabilities	10,873,112	65,248
Noncurrent Liabilities:		
Bonds Payable	3,060,000	
Special Termination Benefits Payable	386,830	
Compensated Absences Payable	13,973,025	
Other Postemployment Benefits Payable	3,181,220	
Total Noncurrent Liabilities	20,601,075	
TOTAL LIABILITIES	31,474,187	65,248

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	College	Component Unit
	<u> </u>	<u> </u>
NET POSITION		
Net Investment in Capital Assets	\$ 216,007,905	\$
Restricted:		
Nonexpendable:		
Endowments		33,346,950
Expendable:		
Grants and Other	4,331,248	7,514,192
Endowments	4,345,450	
Capital Projects	20,915,725	
Debt Service	86,962	
Unrestricted	<u>22,626,576</u>	<u>1,223,975</u>
TOTAL NET POSITION	<u>\$ 268,313,866</u>	<u>\$ 42,085,117</u>

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 POSITION
For the Fiscal Year Ended June 30, 2013

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$29,355,610	\$ 36,730,799	\$
Federal Grants and Contracts	14,787,698	
State and Local Grants and Contracts	2,667,886	
Nongovernmental Grants and Contracts	398,284	
Sales and Services of Educational Departments	880,256	
Auxiliary Enterprises	3,483,464	4,613,150
Other Operating Revenues	1,901,942	2,224,888
Total Operating Revenues	60,850,329	6,838,038
EXPENSES		
Operating Expenses:		
Personnel Services	123,665,819	614,584
Scholarships and Waivers	31,368,611	1,471,630
Utilities and Communications	6,284,896	
Contractual Services	12,825,277	4,885,728
Other Services and Expenses	6,209,467	615,098
Materials and Supplies	14,276,334	261,466
Depreciation	10,839,633	
Total Operating Expenses	205,470,037	7,848,506
Operating Loss	(144,619,708)	(1,010,468)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	73,722,608	
Federal and State Student Financial Aid	55,906,128	
Gifts and Grants	139,171	
Investment Income	1,259,636	4,180,491
Proceeds from Sale of Capital Assets	74,704	
Gain on Disposal of Capital Assets	392,276	
Other Nonoperating Expenses	(210,478)	
Interest on Capital Asset-Related Debt	(221,790)	
Net Nonoperating Revenues	131,062,255	4,180,491
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(13,557,453)	3,170,023
State Capital Appropriations	2,485,166	
Capital Grants, Contracts, Gifts, and Fees	6,105,611	
Additions to Permanent Endowments		198,573
Total Other Revenues	8,590,777	198,573
Increase (Decrease) in Net Position	(4,966,676)	3,368,596
Net Position, Beginning of Year	273,280,542	38,716,521
Net Position, End of Year	\$ 268,313,866	\$ 42,085,117

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, 2013

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 39,399,697
Grants and Contracts	17,348,422
Payments to Suppliers	(33,328,574)
Payments for Utilities and Communications	(6,284,896)
Payments to Employees	(100,426,896)
Payments for Employee Benefits	(23,628,826)
Payments for Scholarships	(31,368,611)
Loans Issued to Students	(7,314,018)
Collection on Loans to Students	7,291,816
Auxiliary Enterprises	3,483,464
Sales and Services of Educational Departments	880,256
Other Receipts	1,403,171
Net Cash Used by Operating Activities	(132,544,995)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	73,722,608
Federal and State Student Financial Aid	55,906,128
Federal Direct Loan Program Receipts	46,076,764
Federal Direct Loan Program Disbursements	(46,080,823)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	139,171
Other Nonoperating Disbursements	(6,148,784)
Net Cash Provided by Noncapital Financing Activities	123,615,064
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,265,000
Capital Grants and Gifts	5,554,136
Proceeds from Sale of Capital Assets	466,980
Purchases of Capital Assets	(6,576,201)
Principal Paid on Capital Debt	(1,200,690)
Interest Paid on Capital Debt	(221,790)
Net Cash Provided by Capital and Related Financing Activities	287,435
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	50,080,377
Purchase of Investments	(47,797,785)
Investment Income	2,052,706
Net Cash Provided by Investing Activities	4,335,298
Net Decrease in Cash and Cash Equivalents	(4,307,198)
Cash and Cash Equivalents, Beginning of Year	18,306,569
Cash and Cash Equivalents, End of Year	<u>\$ 13,999,371</u>

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, 2013

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (144,619,708)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	10,839,633
Changes in Assets and Liabilities:	
Receivables, Net	2,977,835
Loans to Students	(22,202)
Inventories	(46,515)
Prepaid Expenses	29,019
Accounts and Other Payables	(1,232,423)
Unearned Revenue	110,986
Deposits Held for Others	(1,276,097)
Special Termination Benefits Payable	(110,297)
Compensated Absences Payable	296,417
Other Postemployment Benefits Payable	508,357
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (132,544,995)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY	
Unrealized losses on investments were recognized as a reduction to investment	
income on the statement of revenues, expenses, and changes in net position, but	
are not cash transactions for the statement of cash flows.	\$ (793,070)

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, 2013

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. 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 Florida State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The 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, 2013.

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

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, 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 follows GASB standards of accounting and financial reporting.

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

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

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

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the 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 the Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the 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, 2013, the College reported as cash equivalents \$1,226 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, 2013, 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 40 days as of June 30, 2013. 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; 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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, special termination benefits payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees 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. 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, 2013, 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, 2013

Investment Type	Endowment Funds	Other College Funds	Total
United States Government Obligations	\$ 194,793	\$ 12,876,559	\$ 13,071,352
Federal Agency Obligations	93,929	23,093,867	23,187,796
Corporate Bonds and Notes	422,359	17,529,969	17,952,328
State Board of Administration Fund B Surplus Funds Trust Fund		221,440	221,440
State Board of Administration Debt Service Accounts		86,962	86,962
Stocks and Other Equity Securities	2,377,142		2,377,142
Money Market Funds	118,135	70,223	188,358
Total College Investments	\$ 3,206,358	\$ 53,879,020	\$ 57,085,378

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, 2013, the College reported investments at fair value of \$221,440 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 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, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$86,962 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Managed Investments

The following risks apply to the College's other investments, all of which are managed by contracted investment management firms:

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, 2013, the College had \$36,259,148 in obligations of the United States government and its agencies, with various call dates with final maturity dates between November 2013 and March 2043, having a weighted-average maturity of 3.1 years for endowment funds and 2.35 years for other College funds. Also, at June 30, 2013, the College had \$17,952,328 in corporate securities, with various call dates with final maturity dates between August 2013 and May 2023, with weighted-average maturities of 4.5 years for endowment funds and 3.42 years for other College funds. For the \$188,358 in money markets funds, the average maturity was 30 days for endowment funds and 31 days for other College funds. The overall weighted-average life of the other College fund's portfolio was 2.67 years as of June 30, 2013.

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 or 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.
- 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 United States 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, 2013, the College's investments in Federal agency obligations (Government Sponsored Enterprises) are rated AA+ 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, respectively.

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 \$36,259,148 of investments in obligations of the United States government agencies and instrumentalities, and \$17,952,328 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, 2013, are reported at fair value as follows:

Investment Type	Fair Value	Weighted Average Life	Effective Duration	Average Credit Quality
Equities	\$ 23,675,855	(1)	(1)	(1)
Sawgrass Fixed Income Fund	3,920,900	2.7 years	1.8 years	AA**
Commonfund Fixed Income Fund	5,860,918	7.0 years	4.3 years	A+**
Limited Partnerships	3,499,324	(1)	(1)	(1)
Commonfund Commodities Fund	930,269	0.7 years	0.2 years	AA-**
Real Property	55,000	(1)	(1)	(1)
Money Market Fund	54,753	(2)	(2)	AAAm**
Artwork	23,675	(1)	(1)	(1)
Total Investments	\$ 38,020,694			

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

(2) Weighted Average Maturity is 47 days.

** Rating by Standard & Poor's

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically limit debt obligation maturities. However,

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The Foundation's investment policy does not address custodial credit risk.

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 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.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, financial aid overawards, 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 \$1,274,276 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program of \$284,072. Notes receivable are reported net of a \$130,918 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$3,182,705 of Public Education Capital Outlay (PECO) allocations, \$920,484 of Federal military training contracts, and \$551,476 of Federal Aviation Authority (FAA) grant funds. The PECO and FAA funds are for construction of College facilities and may not be entirely collected within one year.

6. INVENTORIES

Inventories consist of consumable materials and supplies of \$108,651 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.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 12,000,940	\$	\$	\$ 12,000,940
Capitalized Collections	15,000	73,600		88,600
Construction in Progress	1,813,912	2,953,975	2,309,619	2,458,268
Total Nondepreciable Capital Assets	\$ 13,829,852	\$ 3,027,575	\$ 2,309,619	\$ 14,547,808
Depreciable Capital Assets:				
Buildings	\$ 313,303,823	\$ 2,260,816	\$	\$ 315,564,639
Other Structures and Improvements	5,905,292	48,802		5,954,094
Furniture, Machinery, and Equipment	29,091,839	2,776,143	593,610	31,274,372
Total Depreciable Capital Assets	348,300,954	5,085,761	593,610	352,793,105
Less, Accumulated Depreciation:				
Buildings	109,091,125	7,551,131		116,642,256
Other Structures and Improvements	3,105,220	365,419		3,470,639
Furniture, Machinery, and Equipment	25,154,504	2,923,083	572,474	27,505,113
Total Accumulated Depreciation	137,350,849	10,839,633	572,474	147,618,008
Total Depreciable Capital Assets, Net	\$ 210,950,105	\$ (5,753,872)	\$ 21,136	\$ 205,175,097

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2013, include bonds payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 4,335,000	\$	\$ 620,000	\$ 3,715,000	\$ 655,000
Note Payable	580,690		580,690		
Special Termination Benefits Payable	497,127	43,001	153,298	386,830	
Compensated Absences Payable	15,276,608	1,748,454	1,452,037	15,573,025	1,600,000
Other Postemployment Benefits Payable	2,672,863	837,288	328,931	3,181,220	
Total Long-Term Liabilities	\$ 23,362,288	\$ 2,628,743	\$ 3,134,956	\$ 22,856,075	\$ 2,255,000

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2013:

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JUNE 30, 2013

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds: Series 2005B, Refunding	<u>\$ 3,715,000</u>	5	2018

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2014	\$ 655,000	\$ 185,750	\$ 840,750
2015	695,000	153,000	848,000
2016	740,000	118,250	858,250
2017	785,000	81,250	866,250
2018	840,000	42,000	882,000
Total	<u>\$ 3,715,000</u>	<u>\$ 580,250</u>	<u>\$ 4,295,250</u>

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, 2013, a liability for accrued plan benefits of \$386,830 for nine 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 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, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$15,573,025. The current portion of the compensated absences liability, \$1.6 million, is the amount expected to be paid in the coming fiscal year, and represents the College's estimate of leave payments plus benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2013-14 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.

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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 does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and may amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 120 retirees received other postemployment benefits. The College provided required contributions of \$328,931 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 \$894,553, which represents 1 percent of covered payroll.

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

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<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 459,231
Amortization of Unfunded Actuarial Accrued Liability	334,840
Interest on Normal Cost and Amortization	<u>31,763</u>
Annual Required Contribution	825,834
Interest on Net OPEB Obligation	106,915
Adjustment to Annual Required Contribution	<u>(95,461)</u>
Annual OPEB Cost (Expense)	837,288
Contribution Toward the OPEB Cost	<u>(328,931)</u>
Increase in Net OPEB Obligation	508,357
Net OPEB Obligation, Beginning of Year	<u>2,672,863</u>
Net OPEB Obligation, End of Year	<u><u>\$ 3,181,220</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, 2013, 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>
2010-11	\$ 975,560	52.9%	\$ 2,161,756
2011-12	787,139	35.1%	2,672,863
2012-13	837,288	39.3%	3,181,220

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$7,638,240, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,638,240 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$85,176,831 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of

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JUNE 30, 2013

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 entry age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the College's 2012-13 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, an inflation rate of 2.5 percent, and an annual healthcare cost trend rate of 8.5 percent for the 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5.5 percent after five years. The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 24 years.

9. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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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 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
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, 2011, June 30, 2012, and June 30, 2013, totaled \$5,408,271, \$3,617,375, and \$3,888,477, respectively, which were equal to the required contributions for each fiscal year.

There were 404 College participants in the Investment Plan during the 2012-13 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,276,760, which was equal to the required contribution for the 2012-13 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.

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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, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 179 College participants during the 2012-13 fiscal year. The College's contributions to the Program totaled \$641,742 and employee contributions totaled \$341,352 for the 2012-13 fiscal year. The Program is no longer available to employees with an effective full-time hire date on or after September 1, 2011.

10. 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 the FRS, Senior Management Service Class may elect to withdraw from the 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 (Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Annuity Program, rather than the FRS. The employing college contributes, on behalf of the participant, 10.6 percent of the participant's salary and employees contribute 3 percent of the employee's salary. There were nine College participants during the 2012-13 fiscal year. The College's contributions to the Annuity Program totaled \$149,469 and employee contributions totaled \$38,833 for the 2012-13 fiscal year.

11. 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 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 and by \$1 million of coverage for aggregate medical claims exceeding \$13.3 million for the 2013 calendar year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports 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 on 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 \$2,133,275 as of June 30, 2013.

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
2011-12	\$ 1,610,199	\$12,037,391	\$ (11,853,065)	\$ 1,794,525
2012-13	1,794,525	14,179,909	(13,841,159)	2,133,275

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 2012-13 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 \$259,214 discounted at a rate of three percent, at June 30, 2013.

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
2011-12	\$ 275,782	\$ 151,778	\$ (153,837)	\$ 273,723
2012-13	273,723	163,320	(177,829)	259,214

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 coverage for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability was obtained through commercially purchased insurance. The College has also designated net assets of \$3.3 million in recognition of its three 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, 2013

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position 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	\$ 68,499,116
Public Services	1,713,074
Academic Support	25,417,924
Student Services	17,851,199
Institutional Support	25,090,073
Operation and Maintenance of Plant	22,861,585
Scholarships and Waivers	31,368,611
Auxiliary Enterprises	1,828,822
Depreciation	10,839,633
Total Operating Expenses	\$ 205,470,037

13. 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 2012-13 fiscal year and provided, in part, for the Foundation to reimburse the College \$850,000 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 11, 2013, the Board of Trustees approved waiving reimbursement for \$350,896 in Artist Series expenses incurred by the College, and the College elected to not bill the Foundation for \$669,273 in other Foundation support expenses. As a result of these transactions, the College provided in-kind contributions to the Foundation, totaling \$1,020,169 to support Foundation scholarship activities.

14. SUBSEQUENT EVENTS

The United States Education Department (USED), Office of Federal Student Aid, Atlanta School Participation Division, conducted an on-site review from July 30, 2012, through August 3, 2012, of the College's administration of its Federal student financial aid program. The USED issued a preliminary Program Review Report, dated November 7, 2012, that included several findings. One of the findings related to students for which automated

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JUNE 30, 2013**

changes were made to their program of study without documentation of the student's intent for the change. As a result of the preliminary review, the College was required to conduct a review of students who had automated program of study changes and submit the results to the USED for a determination, and to issue their final report. The College's review was submitted to the USED on November 12, 2013. Subsequent to submitting the review, the College received a final program review determination letter from the USED, dated March 12, 2014. In its determination letter the USED reported that the College incorrectly disbursed Title IV Higher Education Opportunity Act Funds to ineligible students for coursework not required for their degree or certificate during the 2010-11 and 2011-12 fiscal years, thereby resulting in questioned costs totaling \$3,446,587. The College is required to pay these questioned costs to USED within 45 days of the determination letter date or file an appeal. The College plans to pay the full amount of questioned costs.

**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%
7/1/2011		7,638,240	7,638,240	0%	75,280,000	10.1%

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

**FLORIDA STATE COLLEGE AT JACKSONVILLE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$7,638,240 was significantly lower than the July 1, 2009, liability of \$9,798,279; primarily because the actual healthcare claims experience was less than the projected healthcare cost trend rate.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF RECEIPTS AND EXPENDITURES OF
CITY OF JACKSONVILLE GRANT FUNDS –
BUDGET AND ACTUAL
JUNE 30, 2013**

**College Scholarship Program - Take Stock in Children (Contract No. 8992-20)
Contract Administered by Jacksonville Children's Commission**

Receipts of City Funds

Contract Amount	\$ 138,184.00
Amount Received in 2012-13 Fiscal Year	<u>30,630.64</u> (1)
Amount Remaining to be Distributed as of June 30, 2013	<u>\$ 107,553.36</u> (2)

Expenditures of City Funds

Expenditure Category	Budget	2012-13 Fiscal Year Expenditures	Variance (3)
Personnel Expenses			
Salaries and Wages:			
Regular Salaries and Wages	<u>\$ 33,036.00</u>	<u>\$ 31,486.83</u>	<u>\$ 1,549.17</u>
Payroll Taxes and Benefits:			
FICA	2,048.00	2,048.00	
Life and Health Insurance	6,070.00	6,070.00	
Retirement Contributions	2,312.00	1,627.82	684.18
Workers' Compensation	<u>295.00</u>	<u>281.02</u>	<u>13.98</u>
Total Payroll Taxes and Benefits	<u>10,725.00</u>	<u>10,026.84</u>	<u>698.16</u>
Other Operating Expenses			
Other Allowable Costs:			
Scholarships	<u>94,423.00</u>	<u>92,573.52</u>	<u>1,849.48</u>
Total Expenditures	<u>\$ 138,184.00</u>	<u>\$ 134,087.19</u>	<u>\$ 4,096.81</u>

Notes: (1) The \$30,630.34 amount shown as received during the 2012-13 fiscal year was paid by the City in June 2013 but was not received by the College until July 2013.

(2) From July through September 2013, there were additional receipts of \$103,456.55 and no additional expenditures, resulting in total receipts and expenditures of \$134,087.19 and \$134,087.19, respectively.

(3) There were no additional expenditures from the unexpended variance of \$4,096.81 because the grant period expired on June 30, 2013.



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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*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 26, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2014-085.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2014