

NORTH FLORIDA COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Michael R. Williams, Chair (1)	Madison
Ricky N. Lyons, Vice Chair (1)	Lafayette
Ann Sharon Benoit	Madison
Dr. William L. Brothers (2)	Suwannee
Richard B. Davis, Jr. to 1-21-14 (3)	Hamilton
Dawn Elizabeth Gunter	Taylor
Brantly W. Helvenston, IV (2)	Suwannee
David Howell from 5-20-14	Hamilton
William D. Washington (4)	Madison
Lloyd Gary Wright	Jefferson

Mr. John Grosskopf, President

- Notes: (1) Board member served beyond the end of term, May 31, 2013, until reappointment on February 11, 2014.
- (2) Board member served beyond the end of term, May 31, 2010.
- (3) Board member resigned on January 21, 2014, and the position remained vacant until replaced on May 20, 2014.
- (4) Board member served beyond the end of term, May 31, 2014.

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

The audit team leader was Michael D. Vinson Jr., CPA, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us 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.

NORTH FLORIDA COMMUNITY COLLEGE
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	15
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	28
Notes to Required Supplementary Information	29
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30
Report on the Financial Statements	30
Internal Control Over Financial Reporting	30
Compliance and Other Matters	31
Purpose of this Report	31

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

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

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

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2015-021.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report 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 North Florida Community College and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

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

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
October 23, 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, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit the North Florida Community College Foundation, Inc., for the fiscal years ended March 31, 2014, and March 31, 2013.

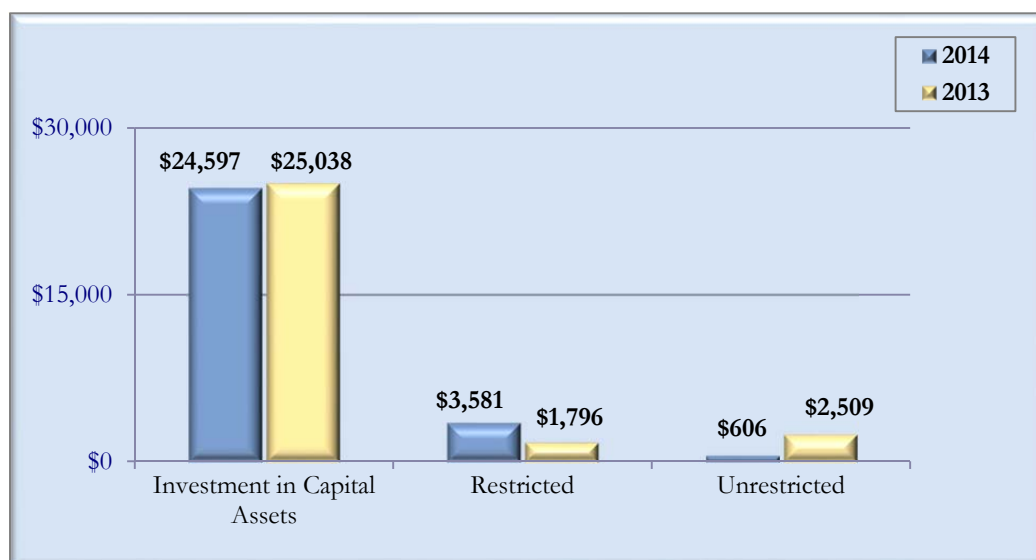
FINANCIAL HIGHLIGHTS

The College's assets totaled \$30.1 million at June 30, 2014. This balance reflects a \$0.4 million, or 1.3 percent, decrease as compared to the 2012-13 fiscal year. While assets decreased, liabilities increased by \$0.2 million, or 13.1 percent, totaling \$1.3 million at June 30, 2014, as compared to the prior fiscal year. As a result, the College's net position decreased by \$0.6 million, resulting in a year-end balance of \$28.8 million.

The College's operating revenues totaled \$2 million for the 2013-14 fiscal year, representing a 2.2 percent decrease as compared to the 2012-13 fiscal year due mainly to a decline in funding from grants and contracts. Operating expenses totaled \$12.8 million for the 2013-14 fiscal year, representing an increase of 5.6 percent as compared to the 2012-13 fiscal year due mainly to increased spending for personnel, contractual services, and other services and expenses.

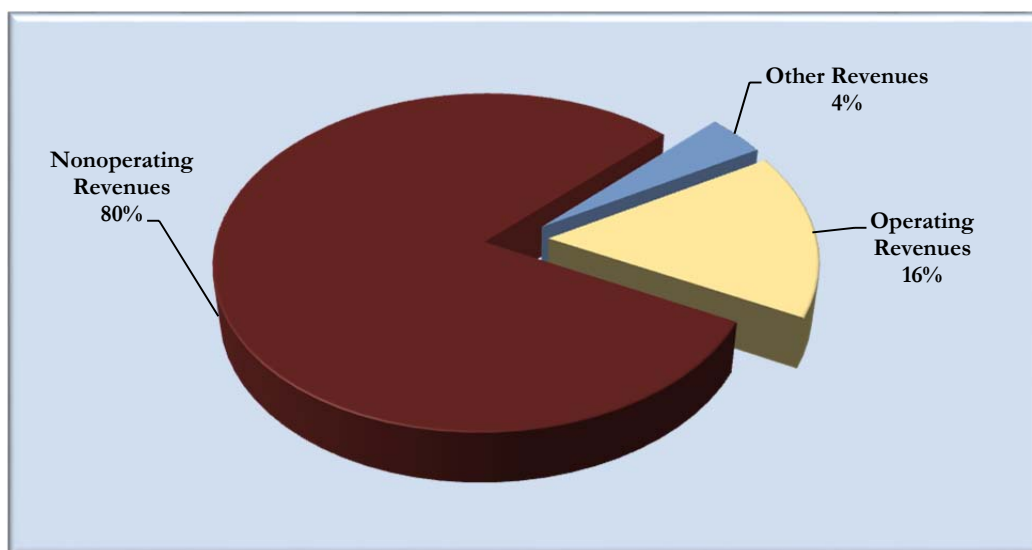
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET POSITION

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

A condensed statement of assets, liabilities, and net position of the College as of June 30, 2014, and June 30, 2013, and its component unit as of March 31, 2014 and March 31, 2013, is shown in the following table:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	\$ 2,192	\$ 3,964	\$ 337	\$ 249
Capital Assets, Net	24,597	25,038	29	29
Other Noncurrent Assets	3,300	1,495	3,226	3,045
Total Assets	<u>30,089</u>	<u>30,497</u>	<u>3,592</u>	<u>3,323</u>
Liabilities				
Current Liabilities	636	498		
Noncurrent Liabilities	669	656		
Total Liabilities	<u>1,305</u>	<u>1,154</u>		
Net Position				
Investment in Capital Assets	24,597	25,038	29	29
Restricted	3,581	1,796	3,490	3,288
Unrestricted	606	2,509	73	6
Total Net Position	<u>\$ 28,784</u>	<u>\$ 29,343</u>	<u>\$ 3,592</u>	<u>\$ 3,323</u>

Total assets decreased \$0.4 million, which is primarily due to current year depreciation expense exceeding capital outlay additions.

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

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	\$ 1,975	\$ 2,019	\$ 250	\$ 229
Less, Operating Expenses	12,798	12,116	305	293
Operating Loss	(10,823)	(10,097)	(55)	(64)
Net Nonoperating Revenues	9,774	9,323	324	229
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,049)	(774)	269	165
Other Revenues	490	296		
Net Increase (Decrease) In Net Position	(559)	(478)	269	165
Net Position, Beginning of Year	29,343	29,821	3,323	3,158
Net Position, End of Year	<u>\$ 28,784</u>	<u>\$ 29,343</u>	<u>\$ 3,592</u>	<u>\$ 3,323</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.

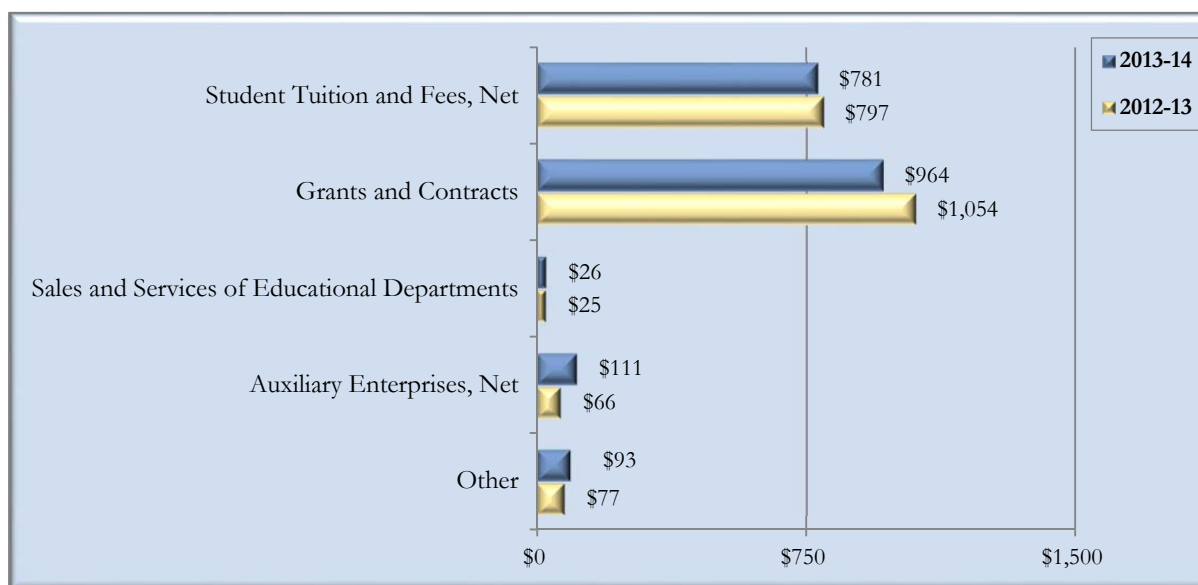
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

Operating Revenues For the Fiscal Years Ended (In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	\$ 781	\$ 797	\$	\$
Grants and Contracts	964	1,054	250	229
Sales and Services of Educational Departments	26	25		
Sales and Services of Auxiliary Enterprises, Net	111	66		
Other	93	77		
Total Operating Revenues	\$ 1,975	\$ 2,019	\$ 250	\$ 229

The following chart presents the College's operating revenues for the respective fiscal years:

Operating Revenues: College (In Thousands)



College operating revenue changes were primarily the result of a \$90,000 decrease in grants and contracts.

Operating Expenses

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

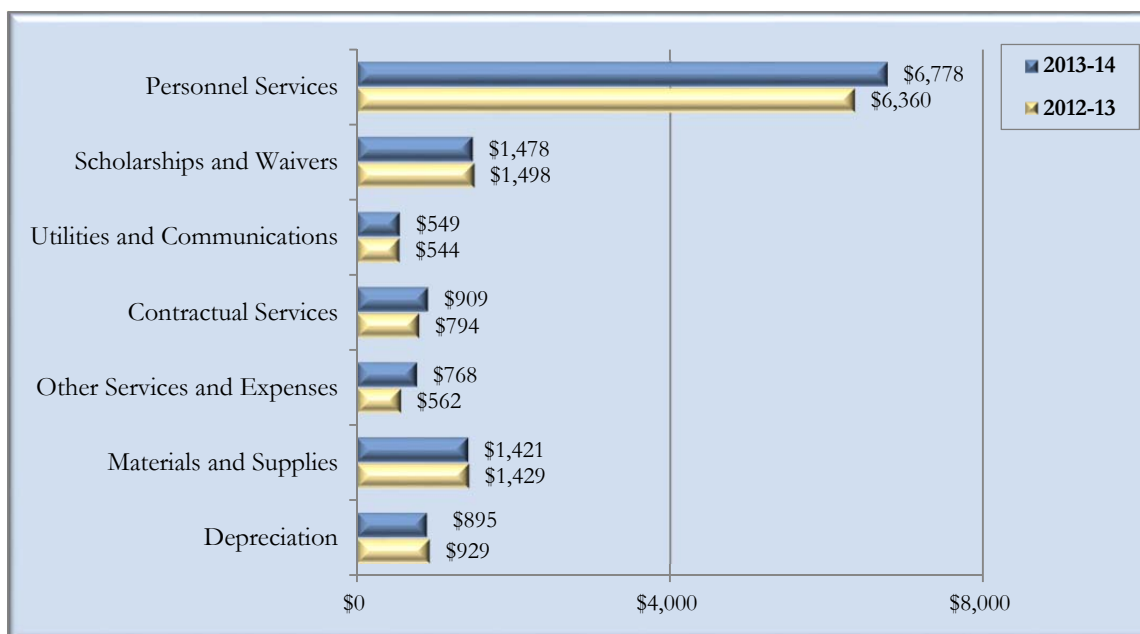
The following summarizes operating expenses by natural classification for the College and its component unit for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	\$ 6,778	\$ 6,360	\$ 109	\$ 109
Scholarships and Waivers	1,478	1,498	167	161
Utilities and Communications	549	544		
Contractual Services	909	794	7	7
Other Services and Expenses	768	562	21	15
Materials and Supplies	1,421	1,429	1	1
Depreciation	895	929		
Total Operating Expenses	\$ 12,798	\$ 12,116	\$ 305	\$ 293

The following chart presents the College's operating expenses for the respective fiscal years:

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



College operating expense changes were the result of the following factors:

- Personnel services increased \$0.4 million, or 6.6 percent, as the result of a salary increases and retirement contribution rate increases.
- Contractual services increased by \$0.1 million, or 14.5 percent, as the result of implementation of a new software system for the degree audit program.
- Other services and expenses increased by 0.2 million, or 36.7 percent, as the result of increases in general repairs and maintenance expense primarily related to roof and HVAC repairs and maintenance.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues for the 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues: College (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 6,950	\$ 6,156
Federal and State Student Financial Aid	2,814	3,122
Investment Income	9	12
Other Nonoperating Revenues		33
Gain on Disposal of Capital Assets	<u>1</u>	<u></u>
Nonoperating Revenues	<u>\$ 9,774</u>	<u>\$ 9,323</u>

College nonoperating revenue changes were primarily the result of a \$0.8 million increase in State noncapital appropriations partially offset by a decrease in Federal and State student financial aid of \$0.3 million.

Other Revenues, Expenses, Gains, or Losses

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

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 313	\$ 90
Capital Grants, Contracts, Gifts, and Fees	<u>177</u>	<u>206</u>
Total	<u>\$ 490</u>	<u>\$ 296</u>

Total other revenues increased by \$0.2 million, or 65.5 percent, due to an increase in State Public Education Capital Outlay appropriations.

THE STATEMENT OF CASH FLOWS

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

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

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

Condensed Statement of Cash Flows: College
(In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (9,960)	\$ (9,020)
Noncapital Financing Activities	9,788	9,324
Capital and Related Financing Activities	88	160
Investing Activities	<u>30</u>	<u>44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54)	508
Cash and Cash Equivalents, Beginning of Year	<u>5,264</u>	<u>4,756</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,210</u></u>	<u><u>\$ 5,264</u></u>

Major sources of funds came from State noncapital appropriations (\$7 million), Federal and State student financial aid (\$2.8 million), grants and contracts (\$0.9 million), and net student tuition and fees (\$0.7 million). Major uses of funds were for payments to employees (\$5.3 million), payments to providers of goods and services (\$3 million), and payments for scholarships (\$1.5 million).

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

- The \$0.9 million increase in net cash outflows from operating activities is primarily due to increases in payments to employees, payments for employee benefits, and payments to providers of goods and services.
- The \$0.4 million increase in cash inflows from noncapital financing activities is primarily the result of an increase in State noncapital appropriations partially offset by a decrease in Federal and State student financial aid.
- The \$0.1 million decrease in cash inflows from capital and related financial activities is primarily due to an increase in purchases of capital assets offset by an increase in capital appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had \$38.3 million in capital assets, less accumulated depreciation of \$13.7 million, for net capital assets of \$24.6 million. Depreciation charges for the current fiscal year totaled \$0.9 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 457	\$ 457
Land Improvements	700	700
Construction in Progress	67	15
Buildings	20,051	20,510
Other Structures and Improvements	2,841	3,149
Furniture, Machinery, and Equipment	<u>481</u>	<u>207</u>
Capital Assets, Net	<u><u>\$ 24,597</u></u>	<u><u>\$ 25,038</u></u>

DEBT ADMINISTRATION

North Florida Community College did not have any long-term debt outstanding during the 2013-14 fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. State noncapital appropriations increased by 4.7 percent for the 2014-15 fiscal year and, as a result, the Board of Trustees did not increase the tuition rates for the 2014-15 fiscal year. The College's current financial and capital plans indicate that the infusion of capital outlay fees and technology fees will continue to help maintain the present level of services.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NORTH FLORIDA COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,396,423.56	\$ 328,239.00
Restricted Cash and Cash Equivalents	520,342.50	
Accounts Receivable	114,853.26	9,024.00
Due from Other Governmental Agencies	58,739.25	
Inventories	95,458.86	
Prepaid Expenses	6,353.44	
Total Current Assets	2,192,170.87	337,263.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,293,175.68	
Investments		3,226,389.00
Restricted Investments	6,584.96	
Depreciable Capital Assets, Net	23,373,165.97	
Nondepreciable Capital Assets	1,224,013.31	28,560.00
Total Noncurrent Assets	27,896,939.92	3,254,949.00
TOTAL ASSETS	30,089,110.79	3,592,212.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	103,657.17	
Salary and Payroll Taxes Payable	207,662.59	
Deposits Held for Others	252,261.50	
Construction Contracts Payable	50,682.96	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	21,599.80	
Total Current Liabilities	635,864.02	
Noncurrent Liabilities:		
Compensated Absences Payable	638,018.70	
Other Postemployment Benefits Payable	31,562.00	
Total Noncurrent Liabilities	669,580.70	
TOTAL LIABILITIES	1,305,444.72	
NET POSITION		
Investment in Capital Assets	24,597,179.28	28,560.00
Restricted:		
Nonexpendable:		
Endowment		1,712,682.00
Expendable:		
Grants and Loans	331,801.47	
Scholarships		1,777,541.00
Capital Projects	3,248,871.97	
Unrestricted	605,813.35	73,429.00
TOTAL NET POSITION	\$ 28,783,666.07	\$ 3,592,212.00

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$1,470,283.90	\$ 781,396.66	\$
Federal Grants and Contracts	642,795.56	
State and Local Grants and Contracts	164,551.75	249,712.00
Nongovernmental Grants and Contracts	156,776.02	
Sales and Services of Educational Departments	25,632.36	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$356,788.46	110,704.27	
Other Operating Revenues	93,336.63	
Total Operating Revenues	1,975,193.25	249,712.00
EXPENSES		
Operating Expenses:		
Personnel Services	6,778,071.26	108,634.00
Scholarships and Waivers	1,478,467.86	166,867.00
Utilities and Communications	549,517.73	
Contractual Services	908,606.39	7,250.00
Other Services and Expenses	767,923.59	21,036.00
Materials and Supplies	1,420,589.98	1,011.00
Depreciation	895,264.33	
Total Operating Expenses	12,798,441.14	304,798.00
Operating Loss	(10,823,247.89)	(55,086.00)
NONOPERATING REVENUES		
State Noncapital Appropriations	6,950,304.00	
Federal and State Student Financial Aid	2,813,854.56	
Investment Income	8,942.75	324,044.00
Gain on Disposal of Capital Assets	938.56	
Nonoperating Revenues	9,774,039.87	324,044.00
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,049,208.02)	268,958.00
State Capital Appropriations	312,881.22	
Capital Grants, Contracts, Gifts, and Fees	177,304.00	
Total Other Revenues	490,185.22	
Increase (Decrease) in Net Position	(559,022.80)	268,958.00
Net Position, Beginning of Year	29,342,688.87	3,323,254.00
Net Position, End of Year	\$ 28,783,666.07	\$ 3,592,212.00

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

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 744,695.56
Grants and Contracts	924,283.08
Payments to Suppliers	(3,089,143.43)
Payments for Utilities and Communications	(549,517.73)
Payments to Employees	(5,339,074.61)
Payments for Employee Benefits	(1,402,742.93)
Payments for Scholarships	(1,478,467.86)
Auxiliary Enterprises, Net	110,704.27
Sales and Service of Educational Departments	25,632.36
Other Receipts	<u>93,336.63</u>
Net Cash Used by Operating Activities	<u>(9,960,294.66)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	6,950,304.00
Federal and State Student Financial Aid	2,813,854.56
Other Nonoperating Receipts	<u>23,766.77</u>
Net Cash Provided by Noncapital Financing Activities	<u>9,787,925.33</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	313,462.22
Capital Grants and Gifts	177,304.00
Proceeds from Sale of Capital Assets	21,000.00
Purchases of Capital Assets	<u>(423,761.52)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>88,004.70</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	21,580.27
Investment Income	<u>8,942.75</u>
Net Cash Provided by Investing Activities	<u>30,523.02</u>
Net Decrease in Cash and Cash Equivalents	(53,841.61)
Cash and Cash Equivalents, Beginning of Year	<u>5,263,783.35</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,209,941.74</u>

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (10,823,247.89)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	895,264.33
Changes in Assets and Liabilities:	
Receivables	(76,541.35)
Inventories	(26,067.57)
Other Assets	(6,353.44)
Accounts Payable	52,565.41
Deposits Held for Others	(2,899.75)
Compensated Absences Payable	23,281.60
Other Postemployment Benefits Payable	<u>3,704.00</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (9,960,294.66)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL	
FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 20,061.44

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

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2014.

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

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

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

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference 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

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

At June 30, 2014, the College reported as cash equivalents \$3,384,065.43 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

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

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law.

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2014, the College reported investments at fair value of \$6,584.96 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

The investments of the North Florida Community College Foundation, Inc., at March 31, 2014, totaled \$3,226,389 and are reported at fair market value based on quoted market prices. These investments consist of fixed-income securities of \$1,207,547 and equity securities of \$2,018,842.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and contract and grant reimbursements due from third parties, and are considered to be fully collectible.

4. INVENTORIES

Inventories consist of items for resale by the food service, duplication center, and public safety departments, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation.

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

5. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 457,245.45	\$	\$	\$ 457,245.45
Land Improvements	700,146.52			700,146.52
Construction in Progress	15,201.81	66,621.34	15,201.81	66,621.34
Total Nondepreciable Capital Assets	\$ 1,172,593.78	\$ 66,621.34	\$ 15,201.81	\$ 1,224,013.31
Depreciable Capital Assets:				
Buildings	\$ 29,607,431.90	\$ 50,458.81	\$	\$ 29,657,890.71
Other Structures and Improvements	5,906,432.24			5,906,432.24
Furniture, Machinery, and Equipment	1,770,473.31	372,566.14	659,090.63	1,483,948.82
Total Depreciable Capital Assets	37,284,337.45	423,024.95	659,090.63	37,048,271.77
Less, Accumulated Depreciation:				
Buildings	9,097,774.09	508,895.17		9,606,669.26
Other Structures and Improvements	2,757,449.30	308,266.81		3,065,716.11
Furniture, Machinery, and Equipment	1,563,647.27	78,102.35	639,029.19	1,002,720.43
Total Accumulated Depreciation	13,418,870.66	895,264.33	639,029.19	13,675,105.80
Total Depreciable Capital Assets, Net	\$ 23,865,466.79	\$ (472,239.38)	\$ 20,061.44	\$ 23,373,165.97

6. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 636,336.90	\$ 101,218.92	\$ 77,937.32	\$ 659,618.50	\$ 21,599.80
Other Postemployment Benefits Payable	27,858.00	19,446.00	15,742.00	31,562.00	
Total Long-Term Liabilities	\$ 664,194.90	\$ 120,664.92	\$ 93,679.32	\$ 691,180.50	\$ 21,599.80

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

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

receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$659,618.50. The current portion of the compensated absences liability, \$21,599.80, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 19 retirees received postemployment healthcare benefits. The College provided required contributions of \$15,742 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$67,764.

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:

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 11,034
Amortization of Unfunded Actuarial Accrued Liability	8,227
Annual Required Contribution	19,261
Interest on Net OPEB Obligation	1,114
Adjustment to Annual Required Contribution	(929)
Annual OPEB Cost (Expense)	19,446
Contribution Toward the OPEB Cost	(15,742)
Increase in Net OPEB Obligation	3,704
Net OPEB Obligation, Beginning of Year	27,858
Net OPEB Obligation, End of Year	\$ 31,562

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 10,924	142.1%	\$ 31,868
2012-13	10,924	136.7%	27,858
2013-14	19,446	81.0%	31,562

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$246,814 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$246,814 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$4,459,605 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.5 percent.

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

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

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

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

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

7. 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.

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

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 2013-14 fiscal year were as follows:

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

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

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$279,170, \$294,009, and \$518,464, respectively, which were equal to the required contributions for each fiscal year.

There were 17 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$71,021, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. 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.

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

8. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Technology Center Automation & Production Technology Classroom	<u>\$ 168,812.00</u>	<u>\$ 66,621.34</u>	<u>\$ 102,190.66</u>

9. RISK MANAGEMENT PROGRAMS

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

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

10. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 3,789,043.12
Public Services	243,165.52
Academic Support	1,632,502.77
Student Services	853,417.43
Institutional Support	1,907,473.62
Operation and Maintenance of Plant	1,651,551.31
Scholarships and Waivers	1,699,301.48
Depreciation	895,264.33
Auxiliary Enterprises	<u>126,721.56</u>
Total Operating Expenses	<u>\$12,798,441.14</u>

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

11. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,396,423.56
Accounts Receivable	101,176.29
Inventories	95,458.86
Prepaid Expenses	<u>3,728.44</u>

Total Current Assets	<u>1,596,787.15</u>
-----------------------------	---------------------

Noncurrent Assets:

Investments	<u>6,584.96</u>
-------------	-----------------

TOTAL ASSETS	<u>1,603,372.11</u>
---------------------	---------------------

LIABILITIES

Current Liabilities:

Accounts Payable	98,715.67
Salary and Payroll Taxes Payable	207,662.59
Compensated Absences Payable	<u>21,599.80</u>

Total Current Liabilities	<u>327,978.06</u>
----------------------------------	-------------------

Noncurrent Liabilities:

Compensated Absences Payable	638,018.70
Other Postemployment Benefits Payable	<u>31,562.00</u>

TOTAL LIABILITIES	<u>997,558.76</u>
--------------------------	-------------------

TOTAL NET POSITION	<u><u>\$ 605,813.35</u></u>
---------------------------	-----------------------------

NORTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$1,470,283.90	\$ 546,413.38
State and Local Grants and Contracts	146,006.75
Sales and Services of Educational Departments	25,632.36
Auxiliary Enterprises, Net of Scholarship	
Allowances of \$356,788.46	110,704.27
Other Operating Revenues	<u>70,131.17</u>
Total Operating Revenues	<u>898,887.93</u>

EXPENSES

Operating Expenses:

Personnel Services	6,312,921.86
Scholarships and Waivers	179,374.90
Utilities and Communications	549,318.28
Contractual Services	635,114.90
Other Services and Expenses	564,712.68
Materials and Supplies	<u>1,420,589.98</u>
Total Operating Expenses	<u>9,662,032.60</u>
Operating Loss	<u>(8,763,144.67)</u>

NONOPERATING REVENUES

State Noncapital Appropriations	6,950,304.00
Investment Income	8,235.17
Gain on Disposal of Capital Assets	<u>938.56</u>
Nonoperating Revenues	<u>6,959,477.73</u>

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

Transfers to Other Funds	<u>(99,383.80)</u>
--------------------------	--------------------

Decrease in Net Position

Net Position, Beginning of Year	<u>2,508,864.09</u>
---------------------------------	---------------------

Net Position, End of Year

	<u><u>\$ 605,813.35</u></u>
--	------------------------------------

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$	\$ 160,937	\$ 160,937	0%	\$ 4,559,802	3.5%
7/1/2011		144,948	144,948	0%	3,667,000	4.0%
7/1/2013		246,814	246,814	0%	4,459,605	5.5%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of \$246,814 was higher than the July 1, 2011, liability of \$144,948 as a result of the following:

- The assumed level of future coverage election for current Medicare-eligible participants increased.
- The assumed level of per capita health care costs for Medicare-eligible participants increased.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 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. 2015-021.

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
October 23, 2014