REPORT NO. 2015-103
FEBRUARY 2015

CHIPOLA 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

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 Chris Stanisci, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. 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.

CHIPOLA COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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 Chipola 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.

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.

AUDITOR GENERAL

STATE OF FLORIDA

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111 West Madison Street
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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 Chipola 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, which represent 100 percent of the transactions and account balances of the discretely presented component unit column. 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 Chipola 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 Chipola 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 Chipola College's internal control over financial reporting and compliance.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
February 17, 2015

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 and its component unit the Chipola College Foundation, Inc., for the fiscal years ended June 30, 2014, and June 30, 2013.

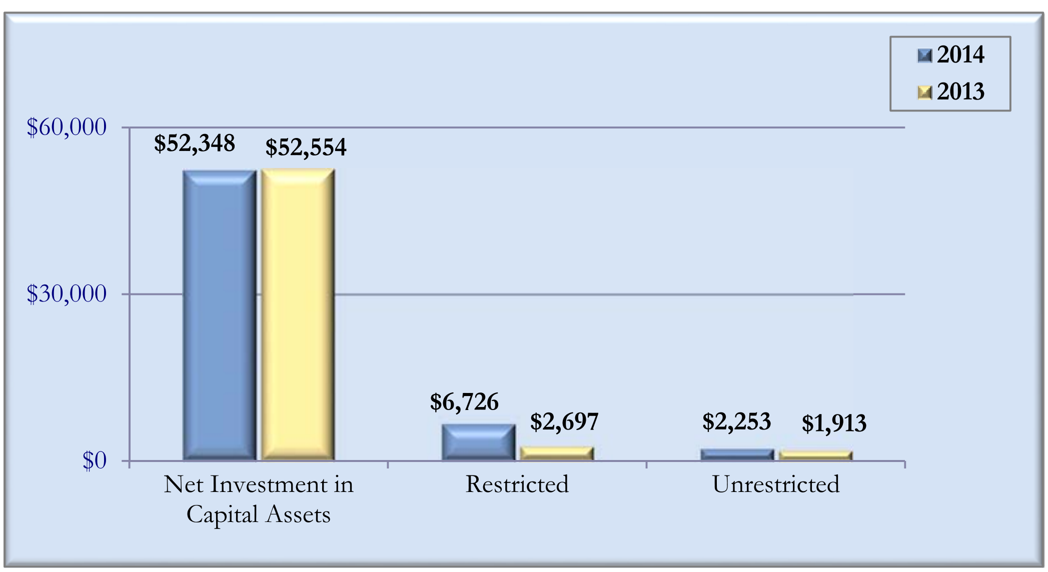
FINANCIAL HIGHLIGHTS

The College's assets totaled $64.2 million at June 30, 2014. This balance reflects a $4 million, or 6.7 percent, increase as compared to the 2012-13 fiscal year, resulting primarily from an increase of $1.9 million in cash and cash equivalents along with an increase of $2.5 million in amounts due from other governmental agencies, offset by a $251 thousand decrease in net capital assets. While assets grew, liabilities decreased by $117 thousand, or 3.9 percent, primarily as a result of a decrease in salaries and payroll taxes payable offset by an increase in accounts payable. As a result, the College's net position increased by $4.2 million, resulting in a year-end balance of $61.3 million.

The College's operating revenues totaled $4.8 million for the 2013-14 fiscal year, representing a 24.5 percent increase over the 2012-13 fiscal year primarily due to an increase of $993 thousand in Federal grants and contracts. Operating expenses totaled $23 million for the 2013-14 fiscal year, representing an increase of 6.8 percent as compared to the 2012-13 fiscal year due to increases in personnel services, contractual services, and materials and supplies expenses.

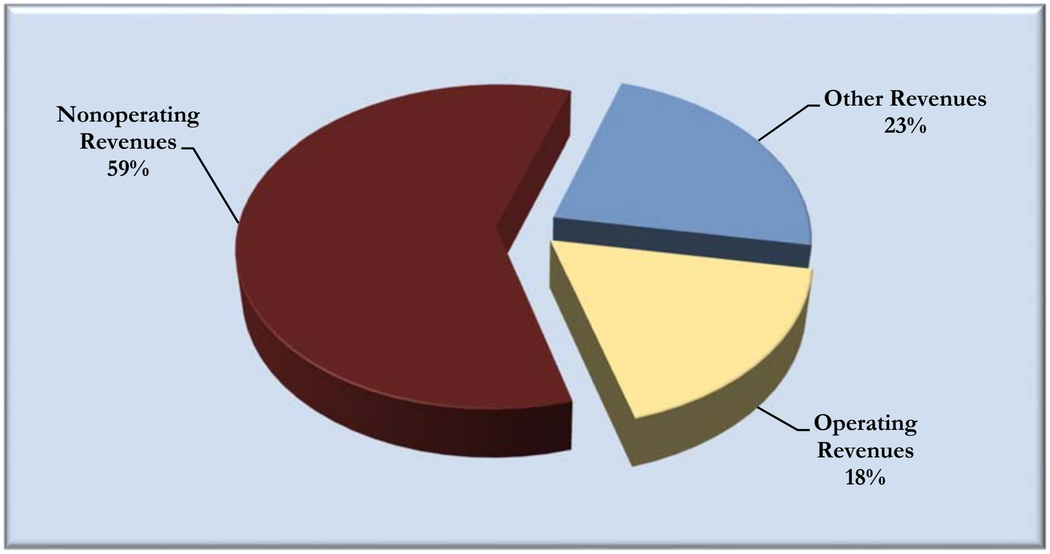
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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:

- Chipola 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.
- Chipola 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 and its component unit as of June 30, 2014, and June 30, 2013, is shown in the following table:

Condensed Statement of Net Position at
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Assets				
Current Assets	$ 10,530	$ 6,672	$ 133	$ 176
Capital Assets, Net	52,498	52,749		
Other Noncurrent Assets	1,155	716	17,808	16,028
Total Assets	64,183	60,137	17,941	16,204
Liabilities				
Current Liabilities	1,155	1,240	24	44
Noncurrent Liabilities	1,701	1,733		
Total Liabilities	2,856	2,973	24	44
Net Position				
Net Investment in Capital Assets	52,348	52,554		
Restricted	6,726	2,697	14,131	12,795
Unrestricted	2,253	1,913	3,786	3,365
Total Net Position	$ 61,327	$ 57,164	$ 17,917	$ 16,160

Total assets increased by $4 million and total net position increased by $4.2 million in the 2013-14 fiscal year. The increase in total assets is primarily from increases of $1.9 million in cash and cash equivalents and $2.5 million in amounts due from other governmental agencies, offset by a $251 thousand decrease in net capital assets. While assets grew, total liabilities decreased by $117 thousand, primarily the result of a decrease in salaries and payroll taxes payable of $325 thousand, offset by an increase in accounts payable of $269 thousand. The net effect of the increase in assets coupled with the decrease in liabilities resulted in an increase of $4.2 million in total net position.

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 2013-14 and 2012-13 fiscal years:

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	6-30-14	6-30-13
Operating Revenues	$ 4,832	$ 3,882	$ 755	$ 786
Less, Operating Expenses	23,038	21,581	1,268	1,072
Operating Loss	(18,206)	(17,699)	(513)	(286)
Net Nonoperating Revenues	16,184	15,843	2,146	1,346
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,022)	(1,856)	1,633	1,060
Other Revenues, Expenses, Gains, or Losses	6,185	583	124	149
Net Increase (Decrease) In Net Position	4,163	(1,273)	1,757	1,209
Net Position, Beginning of Year	57,164	58,437	16,160	14,951
Net Position, End of Year	$ 61,327	$ 57,164	$ 17,917	$ 16,160

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.

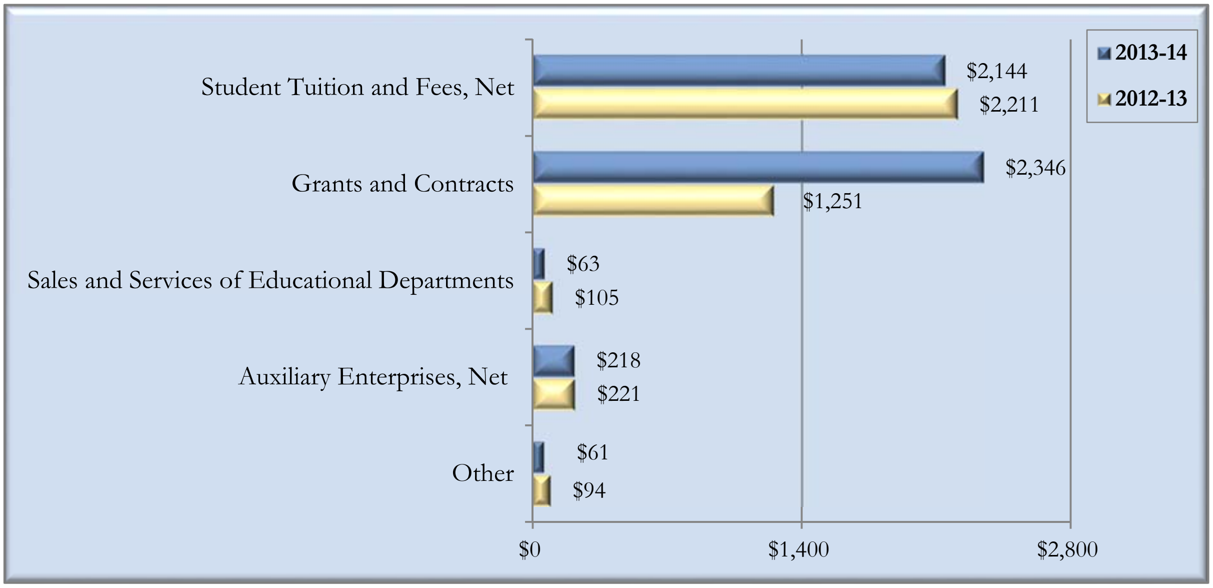
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Student Tuition and Fees, Net	$ 2,144	$ 2,211	$	$
Grants and Contracts	2,346	1,251	753	784
Sales and Services of Educational Departments	63	105		
Auxiliary Enterprises, Net	218	221		
Other	61	94	2	2
Total Operating Revenues	$ 4,832	$ 3,882	$ 755	$ 786

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues include student tuition and fees and auxiliary enterprises, which are shown net of scholarship allowances, (amounts received from other than students and third-party payers). Scholarship allowances include payments from Federal Title IV student aid programs (i.e., Pell and FSEOG), Florida Bright Futures Scholarships, and other institutional scholarships. Auxiliary enterprises revenues consist of bookstore commissions, housing operations, and campus-wide vending programs. Other College operating revenues include Federal, State, local, and nongovernmental grants and contracts. Total operating revenues increased by $950 thousand in the 2013-14 fiscal year when compared to the previous fiscal year, primarily as the result of an increase in the number and amount of Federal grants received by the College.

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.

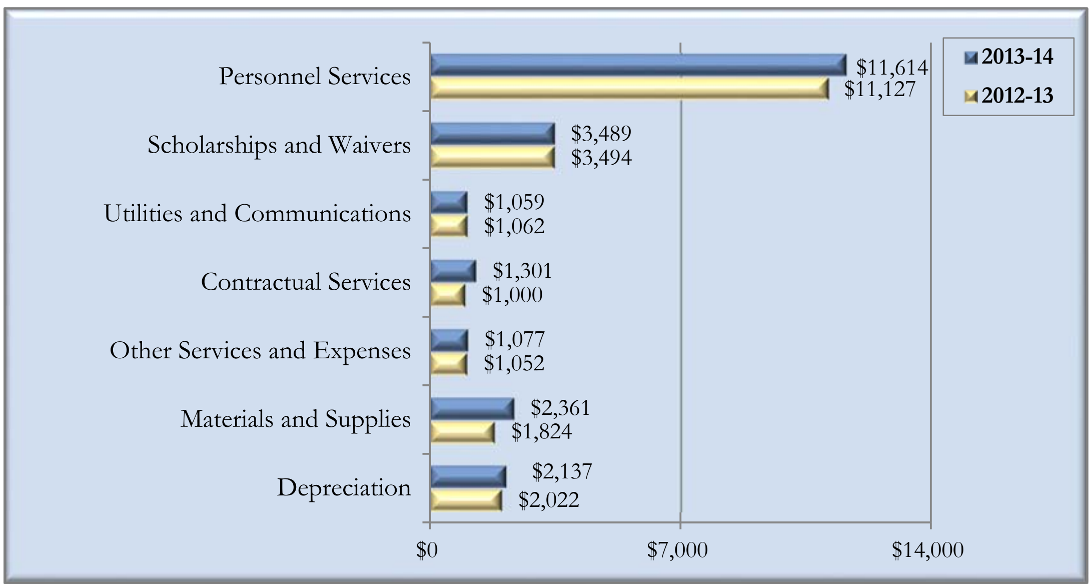
The following summarizes operating expenses by natural classification for the College and its component unit for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Personnel Services	$ 11,614	$ 11,127	$	$
Scholarships and Waivers	3,489	3,494	672	607
Utilities and Communications	1,059	1,062		
Contractual Services	1,301	1,000		
Other Services and Expenses	1,077	1,052	596	465
Materials and Supplies	2,361	1,824		
Depreciation	2,137	2,022		
Total Operating Expenses	$ 23,038	$ 21,581	$ 1,268	$ 1,072

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expenses increased by $1.5 million, or 6.8 percent, primarily as a result of the following factors:

- Personnel services expenses increased by $487 thousand, or 4.4 percent, due in part, to increases in health insurance and retirement contribution rates.
- Contractual services expenses increased by $301 thousand, or 30 percent, due to an increase in temporary service contracts.
- Materials and supplies expenses increased by $537 thousand, or 28.9 percent, due to increased Federal grant expenses.

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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 11,282	$ 10,948
Federal and State Student Financial Aid	4,652	4,892
Gifts and Grants	256	
Investment Income	5	12
Other Nonoperating Revenues		4
Interest on Capital Asset-Related Debt	(11)	(13)
Net Nonoperating Revenues	$ 16,184	$ 15,843

When compared to the prior fiscal year, College net nonoperating revenues increased by $341 thousand, or 2.2 percent. This increase is primarily the result of increases in State noncapital appropriations of $334 thousand and gifts and grants of $256 thousand, offset by a decrease of $240 thousand in Federal and State student financial aid.

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)

	2013-14	2012-13
State Capital Appropriations	$ 5,783	$ 155
Capital Grants, Contracts, Gifts, and Fees	402	428
Total	$ 6,185	$ 583

State capital appropriations, which consists of Public Education Capital Outlay (PECO) appropriations and support from the State-assessed motor vehicle license tax for bond debt service, increased by $5.6 million, due to an increase in PECO appropriations to the College for capital projects.

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)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$ (16,410)	$ (15,727)
Noncapital Financing Activities	16,190	15,839
Capital and Related Financing Activities	2,067	(1,991)
Investing Activities	5	13
Net Increase (Decrease) in Cash and Cash Equivalents	1,852	(1,866)
Cash and Cash Equivalents, Beginning of Year	4,876	6,742
Cash and Cash Equivalents, End of Year	$ 6,728	$ 4,876

Major sources of funds came from State noncapital appropriations ($11.3 million), Federal and State student financial aid ($4.7 million), State capital appropriations ($3.4 million), grants and contracts ($2.3 million), and net student tuition and fees ($2.1 million). Major uses of funds were for payments of employees' salaries and benefits ($11.9 million), payments to suppliers ($4.7 million), and payments for scholarships ($3.5 million).

Cash and cash equivalents increased by $1.9 million, or 38 percent, from the previous fiscal year as a result of the following factors:

- Cash used by operating activities increased by $683 thousand due primarily to increases of $863 thousand in payments to suppliers and $835 thousand in payments to employees and employee benefits, offset by a $958 thousand increase in cash inflows from grants and contracts.
- Cash inflows provided by noncapital financing activities increased by $351 thousand primarily due to an increase of $334 thousand in State noncapital appropriations.
- Cash provided by capital and related financing activities increased by $4.1 million as a result of a $2.2 million increase in cash flows from State capital appropriations and a decrease in cash used of $1.9 million to purchase of capital assets.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had $83.2 million in capital assets, less accumulated depreciation of $30.7 million, for net capital assets of $52.5 million. Depreciation charges for the current fiscal year totaled $2.1 million. The following table summarizes the College's capital assets at June 30:

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

Capital Assets	2014	2013
Land	$ 2,146	$ 2,146
Software in Progress	553	301
Construction in Progress	1,007	95
Buildings	69,716	69,716
Other Structures and Improvements	7,108	7,043
Furniture, Machinery, and Equipment	2,682	2,108
Total	83,212	81,409
Less, Accumulated Depreciation:		
Buildings	22,937	21,390
Other Structures and Improvements	5,910	5,598
Furniture, Machinery, and Equipment	1,867	1,672
Total Accumulated Depreciation	30,714	28,660
Capital Assets, Net	$ 52,498	$ 52,749

CAPITAL EXPENSES AND COMMITMENTS

During the 2013-14 fiscal year, the College had $977 thousand in expenses for construction of the connection of the Health Center Building to the centralized chiller plant and software. The capital commitments are to complete the connection of the Health Center Building to the centralized chiller plant, along with related renovations. The College's major capital commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	$ 1,651
Completed to Date	(955)
Balance Committed	$ 696

More information about the College's capital assets is presented in the notes to financial.

DEBT ADMINISTRATION

At fiscal year-end, the College had $150 thousand in long-term debt outstanding versus $195 thousand at the end of the prior fiscal year. The entire amount of this debt is in State Board of Education (SBE) Capital Outlay Bonds.

The SBE issues capital outlay bonds on behalf of the College. The bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. Proceeds from these bonds are used to construct and renovate College facilities. 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 the College is in a financially stable position, the Board of Trustees was able to keep the 2014-15 fiscal year tuition rates for two-year and baccalaureate programs at the 2013-14 fiscal year rates.

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 Vice President of Administrative and Business Services, Chipola College, 3094 Indian Circle, Marianna, Florida 32446.

BASIC FINANCIAL STATEMENTS

CHIPOLA 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	$ 3,989,354	$ 85,390
Restricted Cash and Cash Equivalents	1,583,050	
Accounts Receivable	105,447	
Notes Receivable	4,344	
Due from Other Governmental Agencies	4,663,233	
Due from College		5,000
Prepaid Expenses	184,162	
Other Assets		42,149
Total Current Assets	10,529,590	132,539
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,155,467	2,530,617
Restricted Investments		15,082,358
Depreciable Capital Assets, Net	48,792,199	
Nondepreciable Capital Assets	3,706,228	
Other Assets		194,963
Total Noncurrent Assets	53,653,894	17,807,938
TOTAL ASSETS	64,183,484	17,940,477
LIABILITIES		
Current Liabilities:		
Accounts Payable	528,401	23,741
Salary and Payroll Taxes Payable	188,745	
Retainage Payable	46,247	
Due to Other Governmental Agencies	18,128	
Due to Component Unit	5,000	
Unearned Revenue	71,380	
Deposits Held for Others	46,941	
Long-Term Liabilities - Current Portion:		
Bonds Payable	50,000	
Compensated Absences Payable	200,000	
Total Current Liabilities	1,154,842	23,741
Noncurrent Liabilities:		
Bonds Payable	100,000	
Compensated Absences Payable	1,401,818	
Other Postemployment Benefits Payable	199,332	
Total Noncurrent Liabilities	1,701,150	
TOTAL LIABILITIES	2,855,992	23,741

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	$ 52,348,427	$
Restricted:		
Nonexpendable:		
Endowment		6,481,339
Expendable:		
Grants and Loans	611,278	
Scholarships	485,720	7,649,195
Capital Projects	5,624,623	
Debt Service	3,987	
Unrestricted	2,253,457	3,786,202
TOTAL NET POSITION	$ 61,327,492	$ 17,916,736

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

CHIPOLA 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 $1,672,166	$ 2,143,884	$
Federal Grants and Contracts	1,943,114	
State and Local Grants and Contracts	69,698	
Nongovernmental Grants and Contracts	332,799	753,221
Sales and Services of Educational Departments	63,234	
Auxiliary Enterprises, Net of Scholarship Allowances of $15,526	218,266	
Other Operating Revenues	61,110	1,893
Total Operating Revenues	4,832,105	755,114
EXPENSES		
Operating Expenses:		
Personnel Services	11,614,110	
Scholarships and Waivers	3,489,306	672,581
Utilities and Communications	1,059,124	
Contractual Services	1,301,162	
Other Services and Expenses	1,077,241	596,204
Materials and Supplies	2,360,477	
Depreciation	2,136,613	
Total Operating Expenses	23,038,033	1,268,785
Operating Loss	(18,205,928)	(513,671)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	11,282,012	
Federal and State Student Financial Aid	4,652,244	
Gifts and Grants	256,031	
Investment Income	4,602	414,653
Net Realized and Unrealized Gain on Investments		1,731,486
Interest on Capital Asset-Related Debt	(10,882)	
Net Nonoperating Revenues	16,184,007	2,146,139
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,021,921)	1,632,468
State Capital Appropriations	5,782,678	
Capital Grants, Contracts, Gifts, and Fees	402,219	
Additions to Permanent Endowments		124,328
Total Other Revenues	6,184,897	124,328
Increase in Net Position	4,162,976	1,756,796
Net Position, Beginning of Year	57,164,516	16,159,940
Net Position, End of Year	$ 61,327,492	$ 17,916,736

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 2,107,218
Grants and Contracts	2,271,068
Payments to Suppliers	(4,738,880)
Payments for Utilities and Communications	(1,059,124)
Payments to Employees	(9,727,922)
Payments for Employee Benefits	(2,193,469)
Payments for Scholarships	(3,489,306)
Loans Issued to Students	(463)
Collection on Loans to Students	3,223
Auxiliary Enterprises, Net	218,266
Sales and Service of Educational Departments	63,234
Other Receipts	136,335
Net Cash Used by Operating Activities	(16,409,820)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	11,282,012
Federal and State Student Financial Aid	4,652,244
Gifts and Grants Received for Other Than Capital or Endowment Purposes	256,031
Net Cash Provided by Noncapital Financing Activities	16,190,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,403,940
Capital Grants and Gifts	402,219
Purchases of Capital Assets	(1,683,326)
Principal Paid on Capital Debt	(45,000)
Interest Paid on Capital Debt	(10,882)
Net Cash Provided by Capital and Related Financing Activities	2,066,951
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	4,602
Net Increase in Cash and Cash Equivalents	1,852,020
Cash and Cash Equivalents, Beginning of Year	4,875,851
Cash and Cash Equivalents, End of Year	$ 6,727,871

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (18,205,928)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,136,613
Changes in Assets and Liabilities:	
Receivables	(12,495)
Due from Other Governmental Agencies	(73,286)
Prepaid Expenses	19,976
Accounts Payable	115,928
Salaries and Payroll Taxes Payable	(325,008)
Unearned Revenue	(22,668)
Deposits Held for Others	(60,679)
Compensated Absences Payable	(11,887)
Other Postemployment Benefits Payable	29,614
NET CASH USED BY OPERATING ACTIVITIES	$ (16,409,820)

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

CHIPOLA 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 Chipola 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 Calhoun, Holmes, Jackson, Liberty, and Washington 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 Chipola 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 financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 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. The College has elected to report as an entity engaged in only business-type activities.

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

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 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, 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.

The statement of revenues, expenses, and changes in net position is presented by major sources and student tuition and fees, and auxiliary enterprises revenues are 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 party making payment on behalf of the

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

student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to scholarship allowances. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

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

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

At June 30, 2014, the College reported as cash equivalents $2,444,235 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; software in progress; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years

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

- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment – 5 years

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

2. INVESTMENTS

Component Unit Investments

Investments held by the Foundation, at June 30, 2014, are reported at fair value as follows:

Investment Type	Fair Value
Certificates of Deposit	$ 1,133,848
Real Estate Investment Trusts	29,812
Domestic Equities	3,805,431
Foreign Equities	3,396,171
Mutual Funds	5,940,221
Land and Timber	776,875
Total	$ 15,082,358

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 has no written investment policy that limits exposure to decline in fair values resulting from interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation has no written investment policy that limits exposure to credit risk.

Custodial Credit Risk: Custodial credit risk is the risk of losses due to the failure of counterparty to a transaction; the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation has no written investment policy for custodial credit risk; however, none of the Foundation's money market and short term investment accounts were exposed to uninsured and uncollateralized custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a Foundation's investments in a single issuer. The Foundation has no written investment policy that places limits on the amount that may be invested in any type of investment.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation holds $3,396,171 in various foreign equities as of June 30, 2014. The foreign holdings account for approximately 22 percent of the Foundation's total investments. The Foundation has no investment policy that limits its investment choices as it relates to foreign equities.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, facility use agreements, and refunds or reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program. The receivables are deemed fully collectible and therefore no allowance for uncollectible notes has been recognized.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $4,469,156 of Public Education Capital Outlay allocations due from the State for construction, repair, and maintenance of College facilities.

6. 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	$ 2,145,828	$	$	2,145,828
Software in Progress	301,252	252,246		553,498
Construction in Progress	95,280	977,276	65,654	1,006,902
Total Nondepreciable Capital Assets	$ 2,542,360	$ 1,229,522	$ 65,654	$ 3,706,228
Depreciable Capital Assets:				
Buildings	$ 69,716,427	$	$	$ 69,716,427
Other Structures and Improvements	7,042,689	65,653		7,108,342
Furniture, Machinery, and Equipment	2,108,041	656,521	83,058	2,681,504
Total Depreciable Capital Assets	78,867,157	722,174	83,058	79,506,273
Less, Accumulated Depreciation:				
Buildings	21,389,883	1,546,525		22,936,408
Other Structures and Improvements	5,597,977	312,318		5,910,295
Furniture, Machinery, and Equipment	1,672,659	277,770	83,058	1,867,371
Total Accumulated Depreciation	28,660,519	2,136,613	83,058	30,714,074
Total Depreciable Capital Assets, Net	$ 50,206,638	$ (1,414,439)	$	$ 48,792,199

7. UNEARNED REVENUE

Unearned revenue represents student tuition and fees of $71,380 received prior to fiscal year-end related to subsequent accounting periods.

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

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, 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
Bonds Payable	$ 195,000	$	$ 45,000	$ 150,000	$ 50,000
Compensated Absences Payable	1,613,705	235,591	247,478	1,601,818	200,000
Other Postemployment Benefits Payable	169,718	34,197	4,583	199,332	
Total Long-Term Liabilities	$ 1,978,423	$ 269,788	$ 297,061	$ 1,951,150	$ 250,000

Bonds Payable. The State Board of Education (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, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	$ 150,000	5	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds Principal	Interest	Total
2015	$ 50,000	$ 7,500	$ 57,500
2016	50,000	5,000	55,000
2017	50,000	2,500	52,500
Total	$ 150,000	$ 15,000	$ 165,000

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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $1,601,818. The current portion of the compensated absences liability, $200,000, is the amount expected to be

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

paid in the coming fiscal year. This amount was estimated by performing an analysis of the last seven years' payments made to employees for leave liability owed.

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 and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone 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, 57 retirees received other postemployment healthcare benefits, and 2 retirees received postemployment life insurance benefits. The College provided required contributions of $4,583 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 $316,147, which represents 4.5 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:

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 21,307
Amortization of Unfunded Actuarial Accrued Liability	11,758
Annual Required Contribution	33,065
Interest on Net OPEB Obligation	6,789
Adjustment to Annual Required Contribution	(5,657)
Annual OPEB Cost (Expense)	34,197
Contribution Toward the OPEB Cost	(4,583)
Increase in Net OPEB Obligation	29,614
Net OPEB Obligation, Beginning of Year	169,718
Net OPEB Obligation, End of Year	$ 199,332

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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 46,489	0.0%	$ 123,608
2012-13	46,110	0.0%	169,718
2013-14	34,197	13.4%	199,332

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $352,713 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $352,713 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $7,071,353 at the actuarial valuation date of July 1, 2013 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 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

CHIPOLA 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 5 years for pre-Medicare and 4 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.

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.

CHIPOLA 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 $496,535, $524,140, and $767,908, respectively, which were equal to the required contributions for each fiscal year.

There were 26 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $129,089, 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' Web site (www.myfloridacfo.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

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

10. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Health Center Chiller Connection:			
Architect	$ 120,707	$ 73,535	$ 47,172
Contractor	1,530,447	882,010	648,437
Total	$ 1,651,154	$ 955,545	$ 695,609

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 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 purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance 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.

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:

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

Functional Classification	Amount
Instruction	$ 6,776,999
Public Services	293,861
Academic Support	814,330
Student Services	2,592,545
Institutional Support	3,468,635
Operation and Maintenance of Plant	3,234,385
Scholarships and Waivers	3,564,103
Depreciation	2,136,613
Auxiliary Enterprises	156,562
Total Operating Expenses	$ 23,038,033

CHIPOLA COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 222,403	$ 222,403	0%	$ 7,267,086	3.1%
7/1/2011	-	318,924	318,924	0%	7,157,971	4.5%
7/1/2013	-	352,713	352,713	0%	7,071,353	5.0%

Note: (1) The OPEB actuarial valuation used the projected unit credit method to estimate the actuarial accrued liability.

CHIPOLA 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 $352,713 increased by 10.6 percent from the July 1, 2011, liability of $318,924 primarily due to:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions of retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.

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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 Chipola 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 February 17, 2015, 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*.

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
February 17, 2015