

DAYTONA STATE 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>
Mary Ann Haas, Chair from 8-13-13, Vice Chair to 8-12-13	Flagler
Lloyd J. Freckleton, Vice Chair from 8-13-13	Flagler
Dwight D. Lewis to 8-1-13, Chair (1)(2)	Volusia
Bob Davis (3)	Volusia
Stan T. Escudero from 2-27-14	Volusia
Dr. Christina Frederick-Recascino (4)	Volusia
Brad S. Giles from 7-29-13	Volusia
Betty J. Holness	Volusia
Forough B. Hosseini	Volusia
Garry R. Lubi from 2-27-14 (5)	Flagler

Dr. Carol Eaton, President

- Notes: (1) Board member resigned August 1, 2013, and the position remained vacant through February 26, 2014.
- (2) Chair position remained vacant from August 1, 2013, through August 12, 2013.
- (3) Appointed as Robert C. Davidson, known as Bob Davis.
- (4) Board member served beyond the end of term, May 31, 2014.
- (5) Position was vacant from July 1, 2013, through February 26, 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 was conducted by Keith A. Wolfe, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Daytona State College and its officers with administrative and stewardship responsibilities for College operations had:

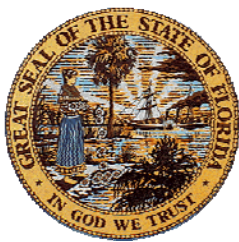
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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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 Daytona State 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 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 Daytona State 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 Daytona State 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 Daytona State College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 25, 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 for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit the Daytona State College Foundation, Inc., for the fiscal years ended December 31, 2013, and December 31, 2012.

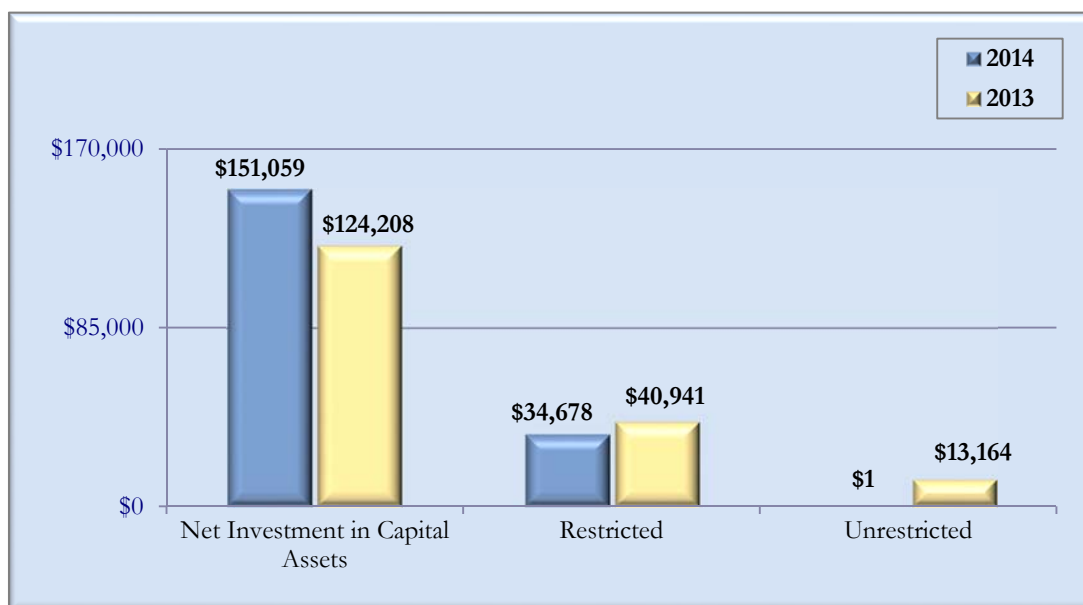
FINANCIAL HIGHLIGHTS

The College's assets totaled \$229.2 million at June 30, 2014. This balance reflects a \$7 million, or 3.1 percent, increase as compared to the 2012-13 fiscal year. While assets grew, liabilities decreased by \$0.4 million, or 1.1 percent, totaling \$43.5 million at June 30, 2014, as compared to \$43.9 million at June 30, 2013. As a result, the College's net position increased by \$7.4 million, resulting in a year-end balance of \$185.7 million.

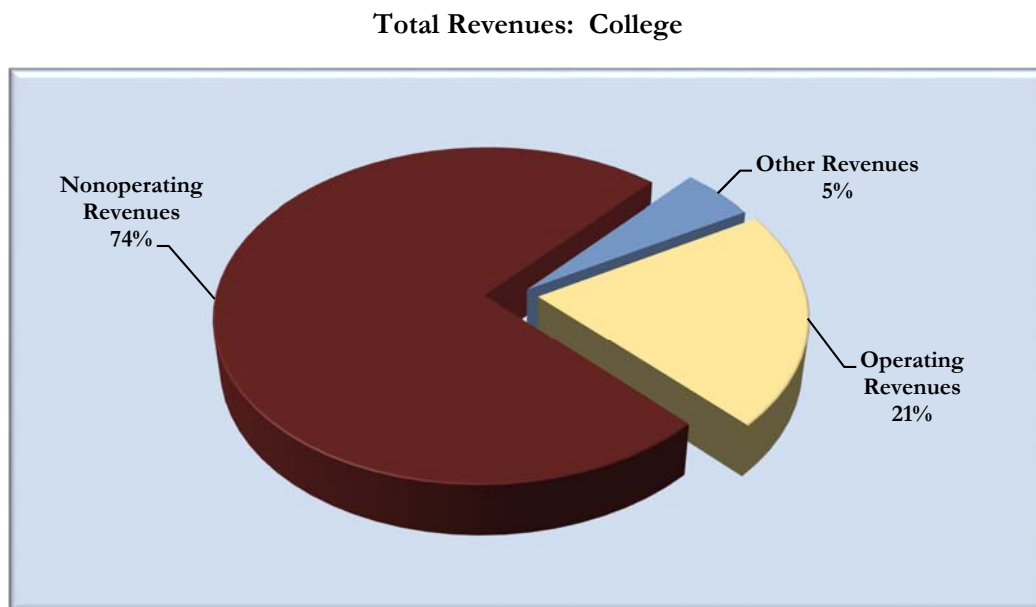
The College's operating revenues totaled \$27.7 million for the 2013-14 fiscal year, representing a 0.7 percent decrease as compared to the 2012-13 fiscal year. Operating expenses totaled \$124.5 million for the 2013-14 fiscal year, representing an increase of 0.3 percent as compared to the 2012-13 fiscal year.

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:



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:

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

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, less liabilities, equals net position, which is one indicator of the College's current financial condition. The changes in net position that 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 for the respective fiscal years ended is shown in the following table:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Assets				
Current Assets	\$ 37,703	\$ 39,067	\$ 2,597	\$ 2,025
Capital Assets, Net	164,533	138,051		
Other Noncurrent Assets	26,959	45,116	17,427	16,383
Total Assets	229,195	222,234	20,024	18,408
Liabilities				
Current Liabilities	10,270	10,028	162	178
Noncurrent Liabilities	33,187	33,893		
Total Liabilities	43,457	43,921	162	178
Net Position				
Net Investment in Capital Assets	151,059	124,208		
Restricted	34,678	40,941	19,101	17,883
Unrestricted	1	13,164	761	347
Total Net Position	\$ 185,738	\$ 178,313	\$ 19,862	\$ 18,230

Although total net position increased by \$7.4 million, or 4.2 percent, the unrestricted net position decreased by \$13.2 million. The primary reason for the decrease was a significant shift from unrestricted net position to net investment in capital assets when the College's investment in joint venture was dissolved, which resulted in a \$10.9 million realized gain from the receipt of \$24.4 million in capital assets. Although the unrestricted net assets decreased, the long-term portion of the other postemployment benefits payable (\$9.5 million) and compensated absence payable (\$10.2 million) do not require current resources, therefore the College has \$19.7 million of available resources for current operations.

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	12-31-13	12-31-12
Operating Revenues	\$ 27,703	\$ 27,906	\$ 1,013	\$ 1,188
Less, Operating Expenses	124,514	124,190	1,953	2,347
Operating Loss	(96,811)	(96,284)	(940)	(1,159)
Net Nonoperating Revenues	97,610	93,216	2,572	1,681
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	799	(3,068)	1,632	522
Other Revenues, Expenses, Gains, or Losses	6,626	12,961		
Net Increase in Net Position	7,425	9,893	1,632	522
Net Position, Beginning of Year	178,313	168,420	18,230	17,708
Net Position, End of Year	\$ 185,738	\$ 178,313	\$ 19,862	\$ 18,230

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.

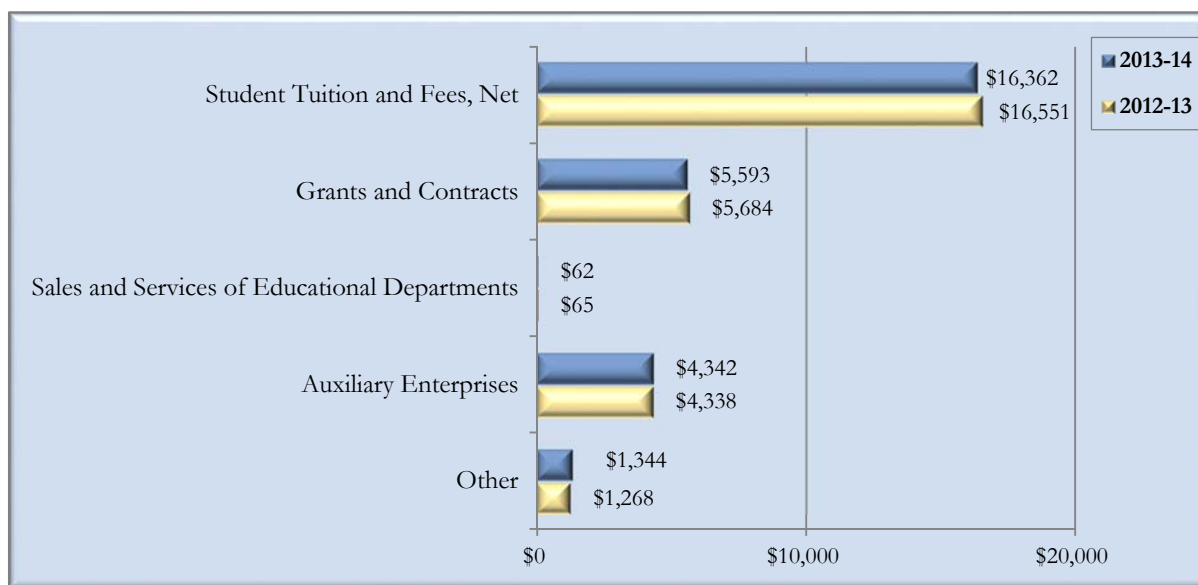
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Student Tuition and Fees, Net	\$ 16,362	\$ 16,551	\$	\$
Grants and Contracts	5,593	5,684	383	376
Sales and Services of Educational Departments	62	65		
Auxiliary Enterprises	4,342	4,338		
Other	1,344	1,268	630	812
Total Operating Revenues	\$ 27,703	\$ 27,906	\$ 1,013	\$ 1,188

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 for student tuition and fees decreased by \$0.2 million, or 1.1 percent, as a result of a decrease in student enrollments.

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.

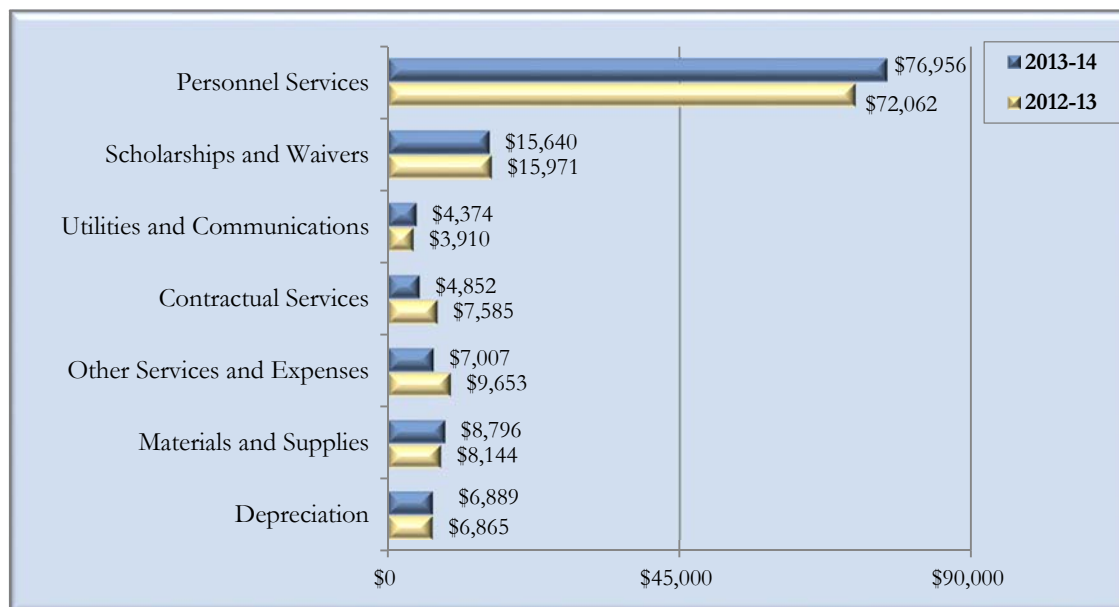
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Personnel Services	\$ 76,956	\$ 72,062	\$ 352	\$ 326
Scholarships and Waivers	15,640	15,971	855	1,004
Utilities and Communications	4,374	3,910		
Contractual Services	4,852	7,585	20	7
Other Services and Expenses	7,007	9,653	723	1,009
Materials and Supplies	8,796	8,144	3	1
Depreciation	6,889	6,865		
Total Operating Expenses	\$ 124,514	\$ 124,190	\$ 1,953	\$ 2,347

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 expense changes were the result of the following factors:

- The \$4.9 million increase in personnel services was primarily due to an average of \$1,000 non-recurring payment to employees on December 31, 2013, and an average 3 percent tiered salary increase beginning January 2014, approved by the Board of Trustees on October 10, 2013, and from an increase in the required employer contributions to the Florida Retirement System.
- Contractual services decreased \$2.7 million primarily due to the dissolution of the joint venture for the Advanced Technology Center and the College no longer having to contribute operating costs as part of the contractual arrangements of the joint venture.
- Other services and expenses decreased by \$2.6 million primarily due to the decrease in claims expense for the College's self-insured healthcare program, which ended in December 2013. Effective January 1, 2014, the College joined the Florida College System Risk Management Consortium for health insurance.

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)

	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 50,908	\$ 58,655
Federal and State Student Financial Aid	33,998	34,811
Gifts and Grants	1,725	487
Investment Income (Loss)	756	(49)
Net Unrealized and Realized Gain on Investments	10,880	
Other Nonoperating Revenues	33	28
Interest on Capital Asset-Related Debt	<u>(690)</u>	<u>(716)</u>
Net Nonoperating Revenues	<u>\$ 97,610</u>	<u>\$ 93,216</u>

College nonoperating revenue changes were the result of the following factors:

- A decrease of \$7.7 million in State noncapital appropriations.
- A \$1.2 million increase in gifts and grants was primarily the result of revenue received from local school districts, as mandated by Florida legislation, for College provided dual enrollment services, in the amount of \$1.3 million.
- The dissolution of the College's investment in a joint venture resulted in a realized gain of \$10.9 million.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 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	\$ 2,413	\$ 8,072
Capital Grants, Contracts, Gifts, and Fees	<u>4,213</u>	<u>4,889</u>
Total	<u>\$ 6,626</u>	<u>\$ 12,961</u>

State capital appropriations decreased primarily due to a \$5.7 million decrease in Florida Lottery-Capital Outlay funding.

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	\$ (88,741)	\$ (83,999)
Noncapital Financing Activities	86,472	86,521
Capital and Related Financing Activities	(1,582)	2,220
Investing Activities	480	58
Net Increase (Decrease) in Cash and Cash Equivalents	(3,371)	4,800
Cash and Cash Equivalents, Beginning of Year	57,372	52,572
Cash and Cash Equivalents, End of Year	\$ 54,001	\$ 57,372

Major sources of cash inflows came from State noncapital appropriations (\$50.9 million), Federal and State student financial aid (\$34 million), Federal Direct Student Loan program receipts (\$21.8 million), and net student tuition and fees (\$16.5 million). Major cash outflows were for payments to employees (\$60.7 million), disbursements to students for Federal Direct Student Loans (\$21.8 million), payments to suppliers of goods and services (\$19.1 million), payments for employee benefits (\$16.6 million) and for student scholarships (\$15.6 million).

Cash and cash equivalents decreased primarily due to a \$4.7 million increase in cash used by operating activities as a result of an average \$1,000 non-recurring payment to employees on December 31, 2013, and an average 3 percent tiered salary increase beginning January 2014, approved by the Board of Trustees on October 10, 2013, and from an increase in the required employer contributions to the FRS. In addition, cash provided by contracts and grants decreased primarily due to the receipt of Federal funds in the 2012-13 fiscal year to reimburse the College funds expended for student financial aid that was not available at June 30, 2012. These decreases were partially offset by a decrease in the cash used for the payments to suppliers, as the College reduced payments for insurance after joining an insurance consortium, and operating costs previously paid for the joint venture are now reported as College operating activities, such as payments to employees, employee benefits, and utilities and communications.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2014, the College had \$272.1 million in capital assets, less accumulated depreciation of \$107.6 million, for net capital assets of \$164.5 million. Depreciation charges for the current fiscal year totaled \$6.9 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	\$ 15,220	\$ 13,071
Construction in Progress	8,352	302
Buildings	134,814	116,721
Other Structures and Improvements	3,012	4,098
Furniture, Machinery, and Equipment	2,931	3,727
Artwork	204	132
Capital Assets, Net	\$164,533	\$138,051

CAPITAL EXPENSES AND COMMITMENTS

The College reported \$9 million in capital expenses for capitalized capital assets. The College also had \$3.6 million in major construction commitments at June 30, 2014. The commitments are for architectural and general contractor services for the Flagler Palm Coast Building (\$0.9 million), Thermal Energy Storage Facility (\$0.2 million), a Student Center (\$1.7 million), and the News Journal Center Scene Shop (\$0.8 million). State appropriations together with local funds are expected to finance these projects. The College's major construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$ 9,519
Completed to Date	<u>(5,942)</u>
Balance Committed	<u>\$ 3,577</u>

Additional information about the College's construction commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$14.4 million in outstanding capital outlay bonds payable and loans payable, representing a decrease of \$1.2 million, or 7.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

Long-Term Debt, at June 30: College (In Thousands)		
	2014	2013
SBE Capital Outlay Bonds	\$ 2,185	\$ 2,555
Loans Payable	<u>12,250</u>	<u>13,045</u>
Total	<u>\$14,435</u>	<u>\$15,600</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, there were no bond sales and debt repayments totaled \$1.2 million. 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 and changes in the State unemployment rate resulted in lower student enrollment in State colleges. While total enrollment of full-time equivalent students has been declining over the past four fiscal years, it is anticipated to level off. The Board of Trustees voted to maintain the current rate of tuition and fees for the fourth consecutive year to improve student access and the overall support and services toward student excellence. Given the limited economic growth and the increased demand for State resources, only a modest increase in State funding is anticipated for the 2014-15 fiscal year. The Board of Trustees and the College's administration have strategically implemented various cost saving mechanisms and revenue enhancement measures. The upcoming trend toward increasing accountability, performance outcomes, and institutional effectiveness is becoming imperative. As a result, the College has implemented a proactive approach which should produce some positive results in the overall delivery of education and services to our community. The College's current financial and capital plans indicate that the infusion of additional revenue

sources coupled with budgetary cost savings, and increases in efficiencies will enable the institution to maintain consistent mission-driven services during the next fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Ms. Isalene Montgomery, Vice President of Finance/CFO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114.

BASIC FINANCIAL STATEMENTS

DAYTONA STATE 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	\$ 21,002,574	\$ 143,168
Restricted Cash and Cash Equivalents	6,096,312	483,652
Accounts Receivable, Net	2,990,350	2,747
Notes Receivable, Net	68,413	
Due from Other Governmental Agencies	6,712,785	
Due from Component Unit/College	8,186	1,966,951
Prepaid Expenses	819,910	
Deposits	4,494	
Total Current Assets	37,703,024	2,596,518
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	26,902,409	
Investments		312,218
Restricted Investments	56,687	17,114,537
Depreciable Capital Assets, Net	140,756,575	
Nondepreciable Capital Assets	23,775,973	
Total Noncurrent Assets	191,491,644	17,426,755
TOTAL ASSETS	229,194,668	20,023,273
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,861,712	12,356
Salary and Payroll Taxes Payable	1,627,708	
Retainage Payable	606,042	
Due to Other Governmental Agencies	251,166	
Due to Component Unit	1,773,311	
Unearned Revenue	754,963	149,222
Estimated Insurance Claims Payable	90,000	
Deposits Held for Others	272,735	
Long-Term Liabilities - Current Portion:		
Bonds Payable	395,000	
Loans Payable	840,000	
Compensated Absences Payable	797,622	
Total Current Liabilities	10,270,259	161,578
Noncurrent Liabilities:		
Bonds Payable	1,790,000	
Loans Payable	11,410,000	
Special Termination Benefits Payable	246,800	
Compensated Absences Payable	10,190,149	
Other Postemployment Benefits Payable	9,549,463	
Total Noncurrent Liabilities	33,186,412	
TOTAL LIABILITIES	43,456,671	161,578

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

	<u>College</u>	<u>Component Unit</u>
NET POSITION		
Net Investment in Capital Assets	\$ 151,059,102	\$
Restricted:		
Nonexpendable:		
Endowment	17,211	6,257,844
Expendable:		
Grants and Loans	3,217,837	12,843,011
Scholarships	329,398	
Capital Projects	31,057,236	
Debt Service	56,687	
Unrestricted	<u>526</u>	<u>760,840</u>
TOTAL NET POSITION	<u>\$ 185,737,997</u>	<u>\$ 19,861,695</u>

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

DAYTONA STATE 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

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$19,826,656	\$ 16,362,084	\$
Federal Grants and Contracts	4,034,688	
State and Local Grants and Contracts	537,977	383,098
Nongovernmental Grants and Contracts	1,019,949	
Sales and Services of Educational Departments	62,311	
Auxiliary Enterprises	4,341,741	
Other Operating Revenues	1,344,101	630,226
Total Operating Revenues	<u>27,702,851</u>	<u>1,013,324</u>
EXPENSES		
Operating Expenses:		
Personnel Services	76,955,736	352,598
Scholarships and Waivers	15,639,512	855,158
Utilities and Communications	4,373,985	
Contractual Services	4,851,613	20,213
Other Services and Expenses	7,007,045	723,087
Materials and Supplies	8,796,487	2,659
Depreciation	6,889,498	
Total Operating Expenses	<u>124,513,876</u>	<u>1,953,715</u>
Operating Loss	<u>(96,811,025)</u>	<u>(940,391)</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	50,907,653	
Federal and State Student Financial Aid	33,998,156	
Gifts and Grants	1,725,331	475,312
Investment Income	755,537	407,251
Net Unrealized and Realized Gains on Investments	10,880,000	1,689,560
Other Nonoperating Revenues	32,466	
Interest on Capital Asset-Related Debt	(689,609)	
Net Nonoperating Revenues	<u>97,609,534</u>	<u>2,572,123</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>798,509</u>	<u>1,631,732</u>
State Capital Appropriations	2,413,262	
Capital Grants, Contracts, Gifts, and Fees	4,212,976	
Total Other Revenues	<u>6,626,238</u>	
Increase in Net Position	7,424,747	1,631,732
Net Position, Beginning of Year	178,313,250	18,229,963
Net Position, End of Year	<u>\$ 185,737,997</u>	<u>\$ 19,861,695</u>

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

DAYTONA STATE 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	\$ 16,536,506
Grants and Contracts	5,516,031
Payments to Suppliers	(19,147,643)
Payments for Utilities and Communications	(4,373,985)
Payments to Employees	(60,722,378)
Payments for Employee Benefits	(16,614,053)
Payments for Scholarships	(15,639,512)
Loans Issued to Students	(788,449)
Collection on Loans to Students	800,190
Auxiliary Enterprises	4,286,298
Sales and Service of Educational Departments	62,311
Other Receipts	<u>1,344,101</u>
Net Cash Used by Operating Activities	<u>(88,740,583)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	50,907,653
Federal and State Student Financial Aid	33,998,156
Federal Direct Loan Program Receipts	21,786,436
Federal Direct Loan Program Disbursements	(21,786,436)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,725,331
Other Nonoperating Disbursements	<u>(159,401)</u>
Net Cash Provided by Noncapital Financing Activities	<u>86,471,739</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,436,040
Capital Grants and Gifts	4,212,976
Purchases of Capital Assets	(8,377,049)
Principal Paid on Capital Debt	(1,165,000)
Interest Paid on Capital Debt	<u>(689,609)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,582,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	12,947
Investment Income	<u>467,499</u>
Net Cash Provided by Investing Activities	<u>480,446</u>
Net Decrease in Cash and Cash Equivalents	(3,371,040)
Cash and Cash Equivalents, Beginning of Year	<u>57,372,335</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 54,001,295</u></u>

DAYTONA STATE 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	\$(96,811,025)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	6,889,498
Changes in Assets and Liabilities:	
Accounts Receivable, Net	518,826
Notes Receivable, Net	11,741
Due From Other Governmental Agencies	(91,634)
Due From Component Unit	(8,186)
Prepaid Expenses	183,271
Accounts Payable	1,026,586
Salary and Payroll Taxes Payable	31,866
Due to Other Governmental Agencies	56,878
Unearned Revenue	(87,988)
Deposits Held for Others	8,957
Estimated Insurance Claims Payable	(1,017,000)
Special Termination Benefits Payable	(134,091)
Compensated Absences Payable	296,689
Other Postemployment Benefits Payable	385,029
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(88,740,583)</u></u>

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING
CAPITAL AND RELATED FINANCING ACTIVITIES

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 288,038
Gains on the dissolution in a joint venture in the amount of \$10,880,000 was realized as a result of the exchange of the \$13,500,000 investment in joint venture for capital assets with a fair market value of \$24,380,000. The realized gains were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 10,880,000

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2013.

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

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

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

- 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 (net of unrealized gains on investments), realized gains on investments, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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 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 student tuition and fees.

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash placed with the State Treasury Special Purpose Investment Accounts (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. 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 Treasury SPIA and SBA Florida PRIME investment pools 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 at fair value \$39,211,139 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents \$11,385,095 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; artwork; 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:

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

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

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

2. INVESTMENTS

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

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Debt Service Accounts. The College reported investments totaling \$56,687 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments in mutual funds, equity securities, and money market funds held by Daytona State College Foundation, Inc., at December 31, 2013, are reported at fair value, as follows:

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

<u>Investment Type</u>	<u>Average Maturity</u>	<u>Credit Quality (1)</u>	<u>Amount</u>
PIMCO Total Return	6.04	AA	\$ 1,852,339
Metropolitan West Total Return	7.73	AA	1,866,622
Vanguard Intermediate-Term Investment Grade	6.4	A	326,488
Alliance Bernstein High Income	6.19	B	464,673
Pacific Life Floating Rate	5.44	B	533,358
Domestic Equities	(2)	(2)	5,892,247
International Equities	(2)	(2)	3,403,581
Vanguard Real Estate Investment Trust (REIT) Index	(2)	(2)	402,447
Equity Interest in Real Property	(2)	(2)	2,685,000
Total Component Unit Investments			\$ 17,426,755

Notes: (1) Represents average credit qualities for those investments within the portfolio that were assigned a credit quality rating. The credit quality ratings were obtained from various agencies including Standard & Poor's and Moody's Investors Service.

(2) Disclosure of maturity or credit quality is not required for these investment types.

The Foundation's investment policy covers endowments and non-endowed investments. Endowment allocations seek no more than 54 percent in equities with the remainder in fixed income securities, REIT/inflation hedges and/or cash and cash equivalents. The Foundation contracts with qualified investment managers to whom authority is delegated to invest assets in accordance with the investment policy. The Foundation's investment policies do not place specific limits on maturities or credit quality.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation's policy for managing its exposure for changes in interest rate is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Foundation's policy for managing its credit risk is a rating of A or better by Standard & Poor's or Moody's Investors Service for debt obligation of United States corporations.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, 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's policy does not address custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy discourages more than five percent of the portfolio's total assets taken at current value be invested in the securities of one issuer, other than the United States of America, its agencies or instrumentalities. The policy further discourages more than 20 percent of the portfolio's total assets to be invested in the securities of companies in any one industry.

DAYTONA STATE 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, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,153,862 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under a short-term loan program. Notes receivable are reported net of a \$3,581 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$5,679,908 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$1,773,311 reported as due to component unit consists of amounts owed by the College to Daytona State College Foundation, Inc. (Foundation), pursuant to an agreement to invest Foundation short-term cash on hand in the State Treasury SPIA and SBA Florida Prime investment accounts of the College. The \$8,186 reported as due from component unit to the College consists of student assistance related to child care services. The College's financial statements are reported for the fiscal year ended June 30, 2014. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2013. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with the amounts reported by the component unit as due from the College.

7. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 13,070,806	\$ 2,149,492	\$	\$ 15,220,298
Artwork	131,935	72,000		203,935
Construction in Progress	301,710	8,050,030		8,351,740
Total Nondepreciable Capital Assets	\$ 13,504,451	\$ 10,271,522	\$	\$ 23,775,973
Depreciable Capital Assets:				
Buildings	\$ 176,552,628	\$ 22,373,369	\$	\$ 198,925,997
Other Structures and Improvements	27,680,349			27,680,349
Furniture, Machinery, and Equipment	23,188,082	730,188	2,151,839	21,766,431
Total Depreciable Capital Assets	227,421,059	23,103,557	2,151,839	248,372,777
Less, Accumulated Depreciation:				
Buildings	59,831,911	4,279,923		64,111,834
Other Structures and Improvements	23,581,323	1,087,380		24,668,703
Furniture, Machinery, and Equipment	19,460,779	1,522,195	2,147,309	18,835,665
Total Accumulated Depreciation	102,874,013	6,889,498	2,147,309	107,616,202
Total Depreciable Capital Assets, Net	\$ 124,547,046	\$ 16,214,059	\$ 4,530	\$ 140,756,575

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, loans payable, special termination benefits 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	\$ 2,555,000	\$	\$ 370,000	\$ 2,185,000	\$ 395,000
Loans Payable	13,045,000		795,000	12,250,000	840,000
Special Termination Benefits Payable	380,891		134,091	246,800	
Compensated Absences Payable	10,691,082	1,443,780	1,147,091	10,987,771	797,622
Other Postemployment Benefits Payable	9,164,434	509,219	124,190	9,549,463	
Total Long-Term Liabilities	\$ 35,836,407	\$ 1,952,999	\$ 2,570,372	\$ 35,219,034	\$ 2,032,622

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2014:

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A, Refunding	\$ 1,980,000	5	2019
Series 2010A, Refunding	135,000	4 - 5	2021
Series 2011A, Refunding	70,000	5	2015
Total	\$ 2,185,000		

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	\$ 395,000	\$ 109,050	\$ 504,050
2016	410,000	89,300	499,300
2017	430,000	68,800	498,800
2018	440,000	47,300	487,300
2019	470,000	25,300	495,300
2020-2021	40,000	3,000	43,000
Total	\$ 2,185,000	\$ 342,750	\$ 2,527,750

Loans Payable. Pursuant to Section 1001.64(38), Florida Statutes, the College obtained two loans to finance the cost of acquisition and construction of various capital projects and equipment, including but not limited to, construction of the Hospitality Center, a physical plant, a shipping and receiving building, additional parking and the demolition of a building. The College borrowed \$10 million on December 23, 2005, at a stated interest rate of 3.96 percent, and \$8 million on January 10, 2006, at a stated interest rate of 4.03 percent. Both loans mature on January 1, 2026, and principal and interest payments are due the end of each quarter. Annual requirements to amortize the outstanding loans as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 840,000	\$ 476,692	\$ 1,316,692
2016	865,000	442,670	1,307,670
2017	905,000	407,698	1,312,698
2018	940,000	371,028	1,311,028
2019	980,000	332,914	1,312,914
2020-2024	5,520,000	1,036,659	6,556,659
2025-2026	2,200,000	88,806	2,288,806
Total	\$ 12,250,000	\$ 3,156,467	\$ 15,406,467

Special Termination Benefits Payable. The Board of Trustees established a severance pay plan for certain College administrative employees. The plan provided that an eligible employee's total benefit could not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee's separation

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

from service and the payment must be paid within 60 days of the separation date. The Board of Trustees, during its December 11, 2011, meeting, terminated further accrual of benefits under this plan after July 1, 2011. As of June 30, 2014, there were two remaining employees in the plan. Upon their separation, the two remaining employees will be paid their portion of the remaining plan liability, or \$246,800. During the 2013-14 fiscal year, a payment of \$134,091 was made from the special terminations benefit plan.

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 \$10,987,771. The current portion of the compensated absences liability, \$797,622, 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 certain 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 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, 71 retirees received other postemployment benefits. The College provided required contributions of \$124,190 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 \$445,634, which represents 1 percent of covered payroll.

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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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 279,238
Amortization of Unfunded Actuarial Accrued Liability	<u>168,885</u>
Annual Required Contribution	448,123
Interest on Net OPEB Obligation	366,577
Adjustment to Annual Required Contribution	<u>(305,481)</u>
Annual OPEB Cost (Expense)	509,219
Contribution Toward the OPEB Cost	<u>(124,190)</u>
Increase in Net OPEB Obligation	385,029
Net OPEB Obligation, Beginning of Year	<u>9,164,434</u>
Net OPEB Obligation, End of Year	<u><u>\$ 9,549,463</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 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	\$ 1,606,697	12.9%	\$ 7,817,287
2012-13	1,605,607	16.1%	9,164,434
2013-14	509,219	24.4%	9,549,463

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,066,557 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,066,557 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$46,439,200 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of

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Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 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. 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.

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 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 \$2,706,101, \$2,739,459, and \$2,939,099, respectively, which were equal to the required contributions for each fiscal year.

There were 231 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$951,375, which was equal to the required contribution for the 2013-14 fiscal year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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).

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 89 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$469,966 and employee contributions totaled \$204,355 for the 2013-14 fiscal year.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and FRS Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than in the FRS. Under the Local Annuity Program, the College contributes 12.34 percent of the participant's salary toward an annuity provided by approved fund sponsors. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of an employee's gross compensation not to exceed the percentage amount contributed by the employer.

There were 6 College participants during the 2013-14 fiscal year. The College's contributions to the Annuity Program totaled \$119,157 for the 2013-14 fiscal year.

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A COMPONENT UNIT OF THE STATE OF FLORIDA
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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
Flagler Palm Coast Building:			
General Contractor	\$ 4,454,059	\$ 3,598,557	\$ 855,502
Thermal Energy Storage Facility:			
General Contractor	2,042,100	1,878,772	163,328
Student Center:			
Architect	1,746,374	12,962	1,733,412
News Journal Center Scene Shop:			
General Contractor	1,276,654	452,146	824,508
Total	<u><u>\$ 9,519,187</u></u>	<u><u>\$ 5,942,437</u></u>	<u><u>\$ 3,576,750</u></u>

11. JOINT PARTICIPATION AGREEMENT

Daytona State College entered into a joint participation agreement with Eastern Florida State College (formerly Brevard Community College) to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use digital antenna, and jointly lease tower space. The Colleges will equally share the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repairs of the equipment and facilities and common expenses relating to the joint-use of the lease tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be necessary for the common benefit of the Colleges.

Daytona State College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona State College will serve as the owner of record of the digital antenna, transmission lines, and associated equipment acquired with various Federal and State grants.

12. 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

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

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, life, and other liability coverage. Effective January 1, 2014, the College provided coverage for health and prescription drugs through the Consortium. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Self-Insured Program. The Board established an individual self-insured program to provide group health, prescription drug, dental, and vision insurance for its employees, retirees, former employees, and their dependents, which was in place through December 31, 2013. The College's liability was limited by excess reinsurance to \$175,000 per insured person. The plan was provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributed employee premiums as a fringe benefit. Employee dependent coverage was by payroll deduction and coverage for retirees, former employees, and their dependents was by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$90,000 as of June 30, 2014. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2014, totaled \$930,041 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2012-13	\$ 936,000	\$ 8,445,507	\$ (8,274,507)	\$ 1,107,000
2013-14	1,107,000	4,188,870	(5,205,870)	90,000

13. 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 45,838,989
Public Services	991,657
Academic Support	9,054,630
Student Services	12,563,397
Institutional Support	17,652,100
Operation and Maintenance of Plant	14,894,733
Scholarships and Waivers	15,639,512
Depreciation	6,889,498
Auxiliary Enterprises	989,360
Total Operating Expenses	<u>\$ 124,513,876</u>

14. RELATED PARTY TRANSACTIONS

On July 24, 2007, the College purchased 22 condominium units for \$2,685,000 using funds provided by the Daytona State College Foundation, Inc. (Foundation). The condominiums were purchased to become dormitories for the College's student athletes. As a part of the purchase, the College and Foundation executed a "Real Property Investment Agreement" disclosing that the Foundation was funding the purchase of real property as an investment. The agreement further provided the "College agrees that the Foundation's return on investment (in the form of rental income received from College student athletes, via the College) shall be a minimum of five (5) percent, rate of return per year on investment, or the greater of the annual rate of return on the Commonfund – Multi-Strategy Bond fund, one year rate, to a maximum of 7% per year." Per the agreement, the property was deeded in the College's name, while the Foundation retained a 100 percent equity interest in the real property. In the event that any of the units are sold, all sale proceeds are to be paid to the Foundation. If sales do not cover the Foundation's initial investment, the College will attempt to raise funds to match any investment shortfall.

The two parties also entered into a lease agreement, whereby the College leased to the Foundation the condominiums for one year, renewable annually for a total of 20 years. The purpose of the lease is to provide the Foundation with fiscal governance of its investment in the real property in the para material with the Real Property Investment Agreement. The lease provided for an initial lease payment of \$197,057 to the Foundation, and the maintenance, repairs, and operating expenses were to be paid by the Foundation from the rental payments. Major renovations, such as re-roofing; HVAC replacement; replacement of furniture and appliances; and renovation or remodeling to the units are the responsibility of the Foundation. The Foundation funds a replacement and repair reserve account in the amount of \$30,000 per year. The College has control of the account, and may withdraw such funds as may be necessary to pay for any major renovation, replacements, or repairs. Upon expiration of the lease and all renewals, any funds remaining in this account will be remitted to the College. In its December 31, 2013, audited financial statements, the Foundation reported the \$2,685,000 as restricted investments on its statement of net position. The College does not report the condominiums as assets.

**DAYTONA STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 16,681,182	\$ 16,681,182	0%	\$ 49,772,674	33.5%
7/1/2011	-	15,175,419	15,175,419	0%	45,335,410	33.5%
7/1/2013	-	5,066,557	5,066,557	0%	46,439,200	10.9%

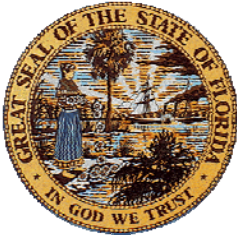
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**DAYTONA STATE 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 \$5.1 million was significantly lower than the July 1, 2011, liability of \$15.2 million as a result of the following:

- 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 for 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 Daytona State 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 25, 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 25, 2015