

EASTERN FLORIDA STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Board member served beyond the end of term, May 31, 2014.

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

The audit team leader was Daria L. Potapova, CPA, and the audit was supervised by Tim L. Tucker, 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 Eastern Florida State College and its officers with administrative and stewardship responsibilities for College operations had:

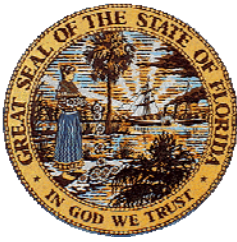
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 6, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and its component unit the Eastern Florida State College Foundation, Inc., for the fiscal years ended June 30, 2014, and June 30, 2013.

COLLEGE AND COMPONENT UNIT NAME CHANGES

The College’s Board of Trustees approved the name change from Brevard Community College to Eastern Florida State College effective July 1, 2013, pursuant to Section 1001.60(2)(b), Florida Statutes. The Foundation’s Board of Directors approved the name change from Brevard Community College Foundation, Inc., to Eastern Florida State College Foundation, Inc., effective July 1, 2013.

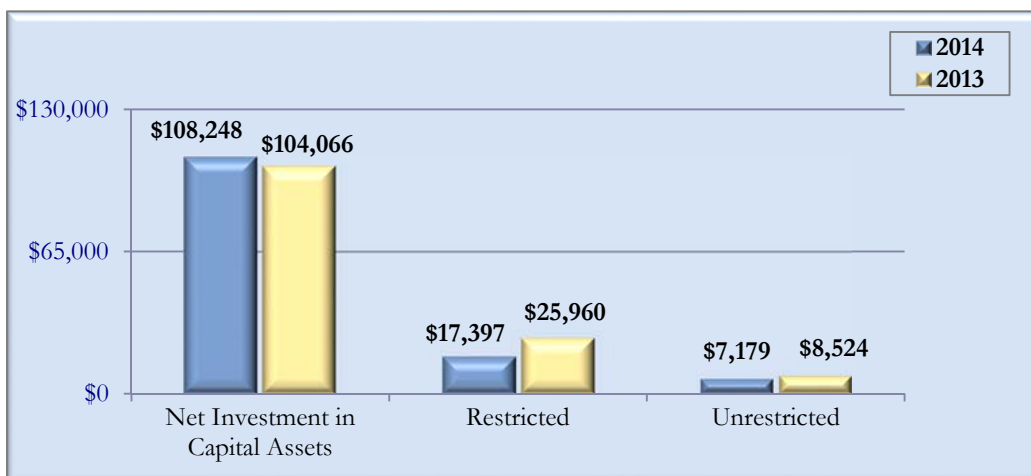
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$153.5 million at June 30, 2014. This balance reflects a \$4.5 million, or 2.9 percent, decrease as compared to the 2012-13 fiscal year mainly resulting from decreases in amounts due from the State for Public Education Capital Outlay (PECO) appropriations and a reduction of cash used for construction projects. While assets declined, liabilities increased by \$1.2 million, or 6 percent, totaling \$20.7 million at June 30, 2014, as compared to \$19.5 million at June 30, 2013. As a result, the College’s net position decreased by \$5.7 million, resulting in a year-end balance of \$132.8 million.

The College’s operating revenues totaled \$26.4 million for the 2013-14 fiscal year, representing a 13.8 percent decrease as compared to the 2012-13 fiscal year due mainly to a reduction in net student tuition and fees revenue and restricted State and local grants and contracts revenues. Operating expenses totaled \$111.2 million for the 2013-14 fiscal year, representing an increase of 3.2 percent as compared to the 2012-13 fiscal year due mainly to an increase in personnel costs, materials and supplies, and other services and expenses, offset by a decrease in contractual services.

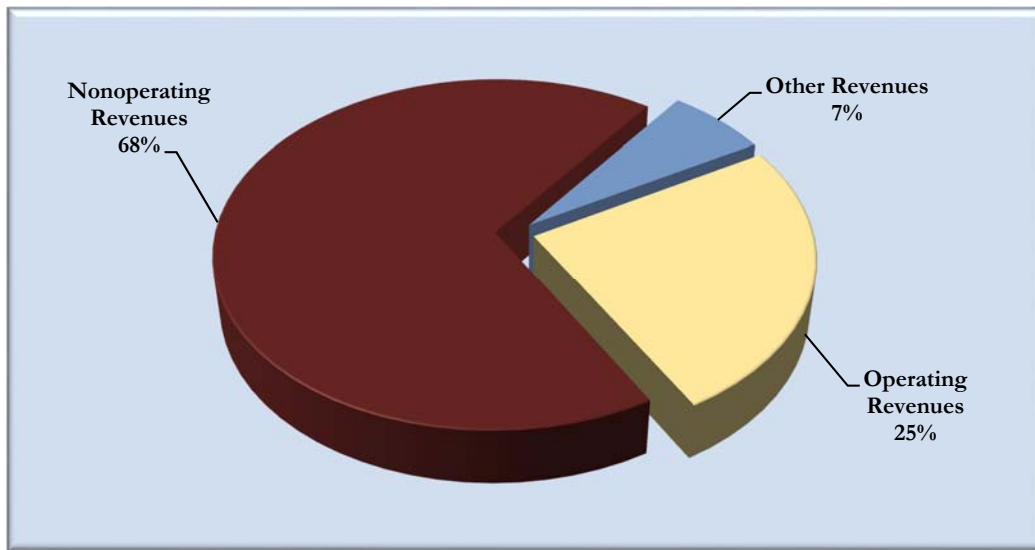
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET POSITION

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Assets				
Current Assets	\$ 39,820	\$ 43,801	\$ 645	\$ 594
Capital Assets, Net	110,566	107,388	192	193
Other Noncurrent Assets	3,141	6,887	18,534	16,115
Total Assets	153,527	158,076	19,371	16,902
Liabilities				
Current Liabilities	9,225	7,558	14	16
Noncurrent Liabilities	11,478	11,968		
Total Liabilities	20,703	19,526	14	16
Net Position				
Net Investment in Capital Assets	108,248	104,066	192	193
Restricted	17,397	25,960	17,010	15,121
Unrestricted	7,179	8,524	2,155	1,572
Total Net Position	\$ 132,824	\$ 138,550	\$ 19,357	\$ 16,886

The College's net position decreased \$5.7 million, or 4.1 percent. This is mainly attributed to the following:

- Noncapital assets decreased \$7.7 million mainly due to a \$3 million decrease in cash and cash equivalents and a \$4.1 million decrease in due from other governmental agencies at June 30, 2014, as a result of expenditure of funds appropriated for capital projects in prior fiscal years.
- Net capital assets increased by \$3.2 million due mainly to the completion of various construction projects and capitalization of several projects in progress.
- Restricted net position decreased \$8.6 million primarily due to the expenditure of PECO funds for construction of the Public Safety Institute.

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

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

The following summarizes the activities of the College and its component unit for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Operating Revenues	\$ 26,372	\$ 30,601	\$ 97	\$ 84
Less, Operating Expenses	111,223	107,751	1,305	1,365
Operating Loss	(84,851)	(77,150)	(1,208)	(1,281)
Net Nonoperating Revenues	72,233	72,079	3,585	2,335
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,618)	(5,071)	2,377	1,054
Other Revenues	6,892	24,443	94	52
Net Increase (Decrease) In Net Position	(5,726)	19,372	2,471	1,106
Net Position, Beginning of Year	138,550	119,178	16,886	15,780
Net Position, End of Year	<u>\$ 132,824</u>	<u>\$ 138,550</u>	<u>\$ 19,357</u>	<u>\$ 16,886</u>

Operating Revenues

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

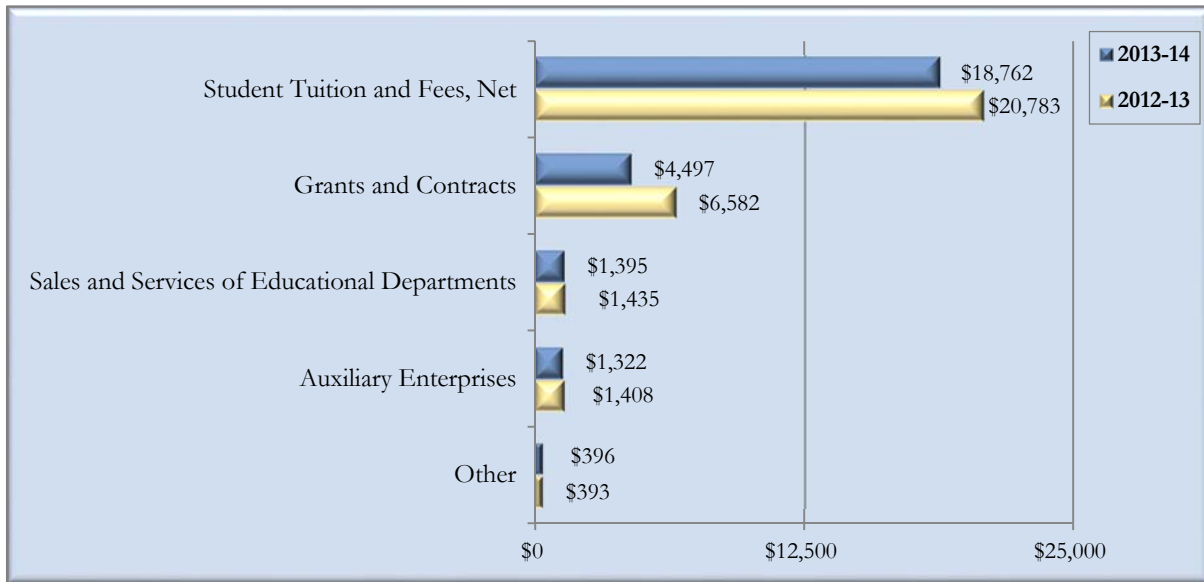
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Student Tuition and Fees, Net	\$ 18,762	\$ 20,783	\$	\$
Grants and Contracts	4,497	6,582		
Sales and Services of Educational Departments	1,395	1,435		
Auxiliary Enterprises	1,322	1,408		
Other	396	393	97	84
Total Operating Revenues	<u>\$ 26,372</u>	<u>\$ 30,601</u>	<u>\$ 97</u>	<u>\$ 84</u>

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 revenue decreased by \$4.2 million, or 13.8 percent, primarily due to the following factors:

- A decrease of net student tuition and fees of \$2 million, or 9.7 percent, due to a decrease in student enrollment, partially offset by an increase in scholarship allowances. The increase in the scholarship allowances was due to the increase in Federal student financial assistance.
- A decrease of grants and contracts of \$2.1 million, or 31.7 percent, comprised of State and nongovernmental grants and contracts.

Operating Expenses

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

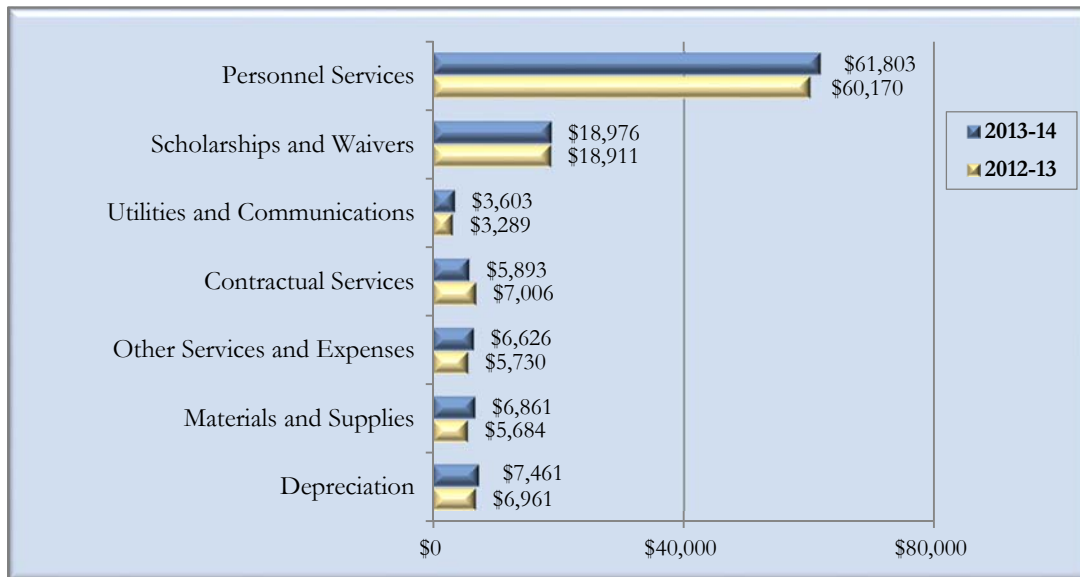
The following summarizes operating expenses by natural classification for the College and its component unit for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Personnel Services	\$ 61,803	\$ 60,170	\$ 8	\$ 5
Scholarships and Waivers	18,976	18,911	515	298
Utilities and Communications	3,603	3,289	1	1
Contractual Services	5,893	7,006	586	853
Other Services and Expenses	6,626	5,730	159	153
Materials and Supplies	6,861	5,684	34	53
Depreciation	7,461	6,961	2	2
Total Operating Expenses	\$ 111,223	\$ 107,751	\$ 1,305	\$ 1,365

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

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



College operating expenses increased by \$3.5 million, or 3.2 percent, primarily due to the following factors:

- Personnel Services increased \$1.6 million, or 2.7 percent, due to a Board approved 1.5 percent salary increase and increases in Florida Retirement System and health insurance rates.
- Contractual Services decreased \$1.1 million, or 15.9 percent, primarily due to a reduction in payments to a subcontractor on a quick-response training grant from Workforce Florida.
- Other Services and Expenses increased \$900 thousand, or 15.6 percent, primarily due to an increase in repairs and maintenance and the write-off of bad debt.
- Materials and Supplies increased \$1.2 million, or 20.7 percent, due to an increase in disbursements for upgrading the College’s television station video equipment for mobile high definition recording and broadcasting capability, and an increase in technology equipment as part of the computer laboratories refresh schedule.

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	\$ 41,153	\$ 43,653
Federal and State Student Financial Aid	29,550	28,164
Gifts and Grants	1,610	252
Investment Income	24	115
Other Nonoperating Revenues	18	35
Loss on Disposal of Capital Assets	(7)	(1)
Interest on Capital Asset-Related Debt	<u>(115)</u>	<u>(139)</u>
Net Nonoperating Revenues	<u>\$ 72,233</u>	<u>\$ 72,079</u>

College nonoperating revenues changes were due to an increase in State noncapital appropriations decreased \$2.5 million, or 5.7 percent, offset by an increase and Federal and State student financial aid of \$1.4 million, or 4.9 percent, and an increase in gifts and grants from local government support of \$1.4 million. The increase in gifts and grants was mainly due to payments received from the Brevard County District School Board for students enrolled in the College's dual enrollment program.

Other Revenues, Expenses, Gains, or Losses

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

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

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 2,784	\$ 20,512
Capital Grants, Contracts, Gifts, and Fees	<u>4,108</u>	<u>3,931</u>
Total	<u>\$ 6,892</u>	<u>\$ 24,443</u>

Other revenues decreased by \$17.6 million, or 71.8 percent, primarily due to a decrease in State capital appropriations of \$17.7 million, or 86.4 percent, related to reduction of PECO appropriations.

THE STATEMENT OF CASH FLOWS

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

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

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

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$(76,471)	\$(69,204)
Noncapital Financing Activities	72,758	74,081
Capital and Related Financing Activities	507	(163)
Investing Activities	200	300
Net Increase (Decrease) in Cash and Cash Equivalents	(3,006)	5,014
Cash and Cash Equivalents, Beginning of Year	28,946	23,932
Cash and Cash Equivalents, End of Year	\$ 25,940	\$ 28,946

Major sources of cash inflows came from State noncapital appropriations (\$41.2 million), Federal and State student financial aid (\$29.6 million), Federal Direct Student Loan program receipts (\$23.5 million), and net student tuition and fees (\$19.2 million). Major cash outflows were for payments to employees and employee benefits (\$61.4 million), disbursements to students for Federal Direct Student Loans (\$23.5 million), payments for scholarships (\$19 million), payments to suppliers (\$19.4 million), and purchases of capital assets (\$9.8 million).

Cash and cash equivalents decreased \$3 million as a result of the following factors:

- Cash used for operating activities increased \$7.3 million due primarily to increases in payments for employee benefits of \$1.5 million, a decrease in cash provided by grants and contracts of \$1.9 million and a decrease in net tuition and fees of \$1.8 million.
- Cash provided by noncapital financing activities decreased \$1.3 million due primarily to a decrease in cash provided by State noncapital appropriations of \$2.5 million, partially offset by an increase in cash provided by noncapital gifts and grants of \$1.4 million.

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

CAPITAL ASSETS

At June 30, 2014, the College had \$232.8 million in capital assets, less accumulated depreciation of \$122.2 million, for net capital assets of \$110.6 million. Depreciation charges for the current fiscal year totaled \$7.5 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	\$ 6,857	\$ 6,857
Construction in Progress	8,092	5,253
Buildings	86,662	84,280
Other Structures and Improvements	5,202	6,221
Furniture, Machinery, and Equipment	1,761	2,095
Assets Under Capital Leases	1,992	2,682
Capital Assets, Net	\$ 110,566	\$ 107,388

Additional information about the College’s capital assets is presented in the notes to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2014, were incurred on the Melbourne Campus Public Safety Institute (\$6.2 million). The College’s construction commitments at June 30, 2014, are as follows:

	<u>Amount (In Thousands)</u>
Total Committed	\$12,992
Completed to Date	<u>6,178</u>
Balance Committed	\$ 6,814

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 \$2.3 million in long-term debt outstanding. 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)**

	<u>2014</u>	<u>2013</u>
SBE Capital Outlay Bonds	\$ 435	\$ 695
Capital Leases	<u>1,883</u>	<u>2,627</u>
Total	\$ 2,318	\$ 3,322

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 for bonds totaled \$260 thousand and for capital leases \$744 thousand. 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. The College's State noncapital appropriations were increased by \$1.6 million for the 2014-15 fiscal year. With the increase in State funding and support for dual enrollment programs by the Brevard Public Schools, the Board of Trustees elected again to continue the 2011-12 fiscal year tuition rates into the 2014-15 fiscal year. The College's current financial and capital plans indicate that the resources from cost savings and increased efficiencies will enable it to maintain consistent services over the coming year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Eastern Florida State College, 1519 Clearlake Road, Cocoa, Florida 32922.

BASIC FINANCIAL STATEMENTS

**EASTERN FLORIDA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,677,501	\$ 622,421
Restricted Cash and Cash Equivalents	5,239,086	
Accounts Receivable, Net	1,849,447	1,842
Notes Receivable, Net	13,331	
Due from Other Governmental Agencies	14,879,740	
Inventories	121,252	
Prepaid Expenses	15,015	
Deposits	24,416	
Other Assets		20,353
Total Current Assets	39,819,788	644,616
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,023,159	
Investments	105,566	18,534,622
Restricted Investments	12,151	
Depreciable Capital Assets, Net	95,617,989	16,517
Nondepreciable Capital Assets	14,948,169	174,984
Total Noncurrent Assets	113,707,034	18,726,123
TOTAL ASSETS	153,526,822	19,370,739
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,762,968	13,695
Salary and Payroll Taxes Payable	2,456,111	
Retainage Payable	405,431	
Unearned Revenue	982,844	
Estimated Insurance Claims Payable	76,010	
Deposits Held for Others	1,340,579	
Long-Term Liabilities - Current Portion:		
Bonds Payable	260,000	
Capital Leases Payable	768,988	
Compensated Absences Payable	171,978	
Total Current Liabilities	9,224,909	13,695
Noncurrent Liabilities:		
Bonds Payable	175,000	
Capital Leases Payable	1,114,456	
Special Termination Benefits Payable	508,799	
Compensated Absences Payable	9,298,248	
Other Postemployment Benefits Payable	381,908	
Total Noncurrent Liabilities	11,478,411	
TOTAL LIABILITIES	20,703,320	13,695

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

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 108,247,714	\$ 191,501
Restricted:		
Nonexpendable:		
Endowment		10,076,985
Expendable:		
Grants and Loans	560,156	898,743
Scholarships	19,776	6,035,062
Capital Projects	16,805,091	
Debt Service	12,151	
Unrestricted	7,178,614	2,154,753
TOTAL NET POSITION	\$ 132,823,502	\$ 19,357,044

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

EASTERN FLORIDA 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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,327,843	\$ 18,762,323	\$
Federal Grants and Contracts	2,660,436	
State and Local Grants and Contracts	1,153,060	
Nongovernmental Grants and Contracts	683,274	
Sales and Services of Educational Departments	1,394,795	
Auxiliary Enterprises	1,321,990	
Other Operating Revenues	396,035	96,824
Total Operating Revenues	26,371,913	96,824
EXPENSES		
Operating Expenses:		
Personnel Services	61,802,704	8,402
Scholarships and Waivers	18,976,526	515,271
Utilities and Communications	3,603,544	981
Contractual Services	5,892,587	585,626
Other Services and Expenses	6,626,474	159,110
Materials and Supplies	6,860,686	33,896
Depreciation	7,460,904	1,960
Total Operating Expenses	111,223,425	1,305,246
Operating Loss	(84,851,512)	(1,208,422)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	41,152,801	
Federal and State Student Financial Aid	29,550,378	
Gifts and Grants	1,610,464	908,910
Investment Income	23,599	2,681,982
Other Nonoperating Revenues	17,993	
Loss on Disposal of Capital Assets	(6,814)	
Interest on Capital Asset-Related Debt	(114,713)	
Other Nonoperating Expenses		(5,484)
Net Nonoperating Revenues	72,233,708	3,585,408
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,617,804)	2,376,986
State Capital Appropriations	2,783,249	
Capital Grants, Contracts, Gifts, and Fees	4,108,141	
Additions to Endowments		93,716
Total Other Revenues	6,891,390	93,716
Increase (Decrease) in Net Position	(5,726,414)	2,470,702
Net Position, Beginning of Year	138,549,916	16,886,342
Net Position, End of Year	\$ 132,823,502	\$ 19,357,044

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 19,181,096
Grants and Contracts	4,522,819
Payments to Suppliers	(19,379,975)
Payments for Utilities and Communications	(3,525,304)
Payments to Employees	(49,976,908)
Payments for Employee Benefits	(11,439,867)
Payments for Scholarships	(18,966,835)
Auxiliary Enterprises	1,321,990
Sales and Service of Educational Departments	1,394,795
Other Receipts	397,162
	(76,471,027)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	41,152,801
Federal and State Student Financial Aid	29,550,378
Federal Direct Loan Program Receipts	23,547,302
Federal Direct Loan Program Disbursements	(23,546,165)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,611,758
Other Nonoperating Receipts	441,478
	72,757,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	7,278,789
Capital Grants and Gifts	4,089,760
Proceeds from Sale of Capital Assets	18,079
Purchases of Capital Assets	(9,761,667)
Principal Paid on Capital Debt and Leases	(1,003,396)
Interest Paid on Capital Debt and Leases	(114,713)
	506,852
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	176,748
Investment Income	23,599
	200,347
Net Cash Provided by Operating Activities	(76,471,027)
Net Cash Provided by Noncapital Financing Activities	72,757,552
Net Cash Provided by Capital and Related Financing Activities	506,852
Net Cash Provided by Investing Activities	200,347
Net Decrease in Cash and Cash Equivalents	(3,006,276)
Cash and Cash Equivalents, Beginning of Year	28,946,022
Cash and Cash Equivalents, End of Year	\$ 25,939,746

**EASTERN FLORIDA 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	\$ (84,851,512)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	7,460,904
Changes in Assets and Liabilities:	
Receivables, Net	11,907
Inventories	50,131
Prepaid Expenses and Other Deposits	(12,906)
Payables	94,079
Unearned Revenue	433,894
Special Termination Benefits Payable	82,431
Compensated Absences Payable	183,639
Other Postemployment Benefits Payable	76,406
	<u>\$ (76,471,027)</u>
NET CASH USED BY OPERATING ACTIVITIES	
SUPPLEMENTAL DISCLOSURE OF NONCASH	
CAPITAL FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (6,814)

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

**EASTERN FLORIDA 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 Eastern Florida State College¹, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of five 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 Brevard County.

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 Eastern Florida State College Foundation, Inc.² (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2014.

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

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

¹ The College's Board of Trustees approved the name change from Brevard Community College to Eastern Florida State College effective July 1, 2013, pursuant to Section 1001.60(2)(b), Florida Statutes.

² The Foundation's Board of Directors approved the name change from Brevard Community College Foundation, Inc., to Eastern Florida State College Foundation, Inc., effective July 1, 2013.

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

GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

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

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

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

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

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. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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, State Board of Administration (SBA) Florida PRIME investments, and other short-term money market investments. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool and other short-term money market accounts 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 \$47,848 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.

At June 30, 2014, the College reported as cash equivalents at fair value \$10,954,011 of moneys held in the Funds for Institutions (FFI) Government Fund. The FFI Government Fund is a money market mutual fund, managed by an investment advisor that is subject to all of the requirements of Rule 2a7 under the Investment Company Act of 1940, as amended. The FFI Government Fund carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 49 days 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 FFI Government Fund to interest rate changes.

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

At June 30, 2014, the College reported as cash equivalents \$4,966,113 held in an insured savings account program fully insured by the Federal Deposit Insurance Corporation.

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

- Buildings – 40 years
- Special Use Industrial Buildings – 20 years
- Modular Buildings – 10 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 to 10 years
- Assets Under Capital Leases – 5 to 10 years

Land, buildings, and equipment of the College's component unit, the Eastern Florida State College Foundation, Inc., are stated at cost except for donated property which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$102,126. The College's component unit depreciates buildings and equipment using the straight-line method of double-declining balance over estimated useful lives ranging from 5 to 39 years.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital leases 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 not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized 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; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

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

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

The College’s investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 105,566
State Board of Administration Debt Service Accounts	<u>12,151</u>
Total College Investments	<u>\$ 117,717</u>

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

At June 30, 2014, the College reported investments at fair value of \$105,566 in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments totaling \$12,151 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education (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 held by the College’s component unit (Foundation) at June 30, 2014, are reported at fair market value and based on quoted market prices as follows:

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

Investment Type	Amount
State Board of Administration Fund B	
Surplus Funds Trust Fund	\$ 14,033
Corporate Stock	4,222,661
Foreign Stock	1,642,162
Mutual Funds	11,730,356
Alternative Investments	925,410
Total Component Unit Investments	\$ 18,534,622

The following risks apply to the Foundation’s investments in debt securities:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s investment policy limits interest rate risk by requiring that investments maturities shall not be greater than 15 years at time of purchase.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy limits their investment portfolio to have an average credit rating of “A” or better for bonds.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation’s investment in a single issue. The Foundation’s policy does not allow for an investment in any single equity position greater than 10 percent of the Foundation’s total equity portfolio. The Foundation’s investment policy does not address concentration of credit risk with respect to fixed income investments.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The Foundation’s investment policy does not contain requirements that would limit exposure to custodial credit risk for investments. The Foundation’s alternative investments are not covered by Securities Investor Protection Corporation insurance, are uncollateralized, and held by the Foundation’s broker-dealer (counterparty); therefore, the balance of \$925,410 is subject to custodial credit risk. The Foundation’s remaining investments are covered by SIPC insurance.

Foreign Currency Risk: The alternate investments that the Foundation invests in consist of foreign currency futures. However, the Foundation is not exposed to foreign currency risk as their investment is in U.S. dollars.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College (\$2,405,382), uncollected child care services (\$18,656), and contract and grant reimbursements due from third parties (\$4,657). These receivables are reported net of a \$579,248 allowance for doubtful accounts.

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

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of Public Education Capital Outlay allocations due from the State for construction of College facilities (\$13,781,932); amounts due for various State and Federal student tuition contracts (\$508,242); and amounts due for various State and Federal grants (\$589,566).

5. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 6,856,466	\$	\$	\$ 6,856,466
Construction in Progress	5,253,191	9,851,310	7,012,798	8,091,703
Total Nondepreciable Capital Assets	\$ 12,109,657	\$ 9,851,310	\$ 7,012,798	\$ 14,948,169
Depreciable Capital Assets:				
Buildings	\$ 158,146,920	\$ 7,012,798	\$	\$ 165,159,718
Other Structures and Improvements	31,275,450	376,817		31,652,267
Furniture, Machinery, and Equipment	17,485,594	422,416	340,437	17,567,573
Assets Under Capital Leases	3,453,482			3,453,482
Total Depreciable Capital Assets	210,361,446	7,812,031	340,437	217,833,040
Less, Accumulated Depreciation:				
Buildings	73,867,328	4,630,438		78,497,766
Other Structures and Improvements	25,054,244	1,395,320		26,449,564
Furniture, Machinery, and Equipment	15,391,241	744,450	329,141	15,806,550
Assets Under Capital Leases	770,475	690,696		1,461,171
Total Accumulated Depreciation	115,083,288	7,460,904	329,141	122,215,051
Total Depreciable Capital Assets, Net	\$ 95,278,158	\$ 351,127	\$ 11,296	\$ 95,617,989

6. UNEARNED REVENUE

Unearned revenue includes student tuition and fees and restricted grants and contracts received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2014, the College reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	\$ 497,685
Restricted Grants and Contracts	485,159
Total Unearned Revenue	\$ 982,844

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, capital leases 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:

**EASTERN FLORIDA 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	Current Portion
Bonds Payable	\$ 695,000	\$	\$ 260,000	\$ 435,000	\$ 260,000
Capital Leases Payable	2,626,840		743,396	1,883,444	768,988
Special Termination Benefits Payable	426,368	124,839	42,408	508,799	
Compensated Absences Payable	9,286,587	1,016,373	832,734	9,470,226	171,978
Other Postemployment Benefits Payable	305,502	116,157	39,751	381,908	
Total Long-Term Liabilities	\$ 13,340,297	\$ 1,257,369	\$ 1,918,289	\$ 12,679,377	\$ 1,200,966

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:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 75,000	5.00	2016
Series 2005B	180,000	5.00	2018
Series 2011A	180,000	4.00 - 5.00	2015
Total	\$ 435,000		

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	\$ 260,000	\$ 21,750	\$ 281,750
2016	80,000	8,750	88,750
2017	45,000	4,750	49,750
2018	50,000	2,500	52,500
Total	\$ 435,000	\$ 37,750	\$ 472,750

Capital Leases Payable. Information technology equipment totaling \$3,453,482 is being acquired under capital lease agreements. The stated interest rates are 3.311 and 3.5 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2014, are as follows:

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

Fiscal Year Ending June 30	Amount
2015	\$ 823,357
2016	823,357
2017	322,728
Total Minimum Payments	1,969,442
Less, Amount Representing Interest	85,998
Present Value of Minimum Payments	\$ 1,883,444

Special Termination Benefits Payable. The College Board of Trustees adopted an Executive Benefit Plan for full Vice Presidents or above who are employed at the executive salary grade levels II and III. The Plan included provisions for deferred compensation to be paid to the employee upon separation of employment through retirement, termination, or death. Accrued benefits for the 11 participants at June 30, 2014, totaled \$508,799 and are included in special termination benefits payable.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$9,470,226. The current portion of the compensated absences liability, \$171,978, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program or those known to be retiring during the next fiscal year.

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 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 issues 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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, 37 retirees received postemployment healthcare benefits. The College provided required contributions of \$39,751 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 \$236,144, which represents 0.6 percent of covered payroll.

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 77,104
Amortization of Unfunded Actuarial Accrued Liability	37,016
Annual Required Contribution	114,120
Interest on Net OPEB Obligation	12,220
Adjustment to Annual Required Contribution	(10,183)
Annual OPEB Cost (Expense)	116,157
Contribution Toward the OPEB Cost	(39,751)
Increase in Net OPEB Obligation	76,406
Net OPEB Obligation, Beginning of Year	305,502
Net OPEB Obligation, End of Year	\$ 381,908

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 94,791	38.8%	\$ 271,928
2012-13	95,178	64.7%	305,502
2013-14	116,157	34.2%	381,908

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$1,110,475, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued

**EASTERN FLORIDA STATE COLLEGE
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JUNE 30, 2014**

liability of \$1,110,475 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$38,838,571 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.9 percent.

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

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

8. RETIREMENT PROGRAMS

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

**EASTERN FLORIDA STATE COLLEGE
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JUNE 30, 2014**

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

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

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.

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

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 \$2,548,958, \$2,680,442, and \$3,553,634, respectively, which were equal to the required contributions for each fiscal year.

There were 249 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$1,049,515, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement’s Web site (www.frs.myflorida.com).

9. CONSTRUCTION COMMITMENTS

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Public Safety Institute	<u>\$ 12,991,878</u>	<u>\$ 6,177,935</u>	<u>\$ 6,813,943</u>

10. RISK MANAGEMENT PROGRAMS

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

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

11. 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

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JUNE 30, 2014**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 35,040,747
Public Services	2,555,759
Academic Support	4,804,764
Student Services	10,596,755
Institutional Support	17,444,913
Operation and Maintenance of Plant	14,343,057
Scholarships and Waivers	18,976,526
Depreciation	7,460,904
Total Operating Expenses	<u><u>\$ 111,223,425</u></u>

12. RELATED PARTY TRANSACTIONS

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from a direct-support organization that does not meet the criteria, as discussed in note 1, for inclusion in the College’s financial statements as a component unit of the College. This organization is the Maxwell C. King Center for the Performing Arts, Inc. Information for the direct-support organization based on its financial statements as of June 30, 2014, is summarized in the following table:

	<u>Maxwell C. King Center for the Performing Arts, Inc.</u>	
Assets	\$	7,484,305
Liabilities		961,802
Revenues		4,786,235
Expenses		3,957,253

**EASTERN FLORIDA 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	\$ -	\$ 718,784	\$ 718,784	0%	\$38,735,552	1.9%
7/1/2011	-	889,457	889,457	0%	35,859,896	2.5%
7/1/2013	-	1,110,475	1,110,475	0%	38,838,571	2.9%

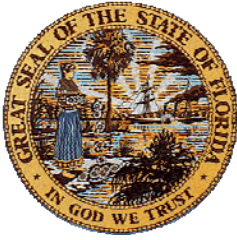
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**EASTERN FLORIDA 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 \$1,110,475 was \$221,018 higher than the July 1, 2011, liability of \$889,457, as a result of the following factors:

- 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 Eastern Florida 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 March 6, 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
March 6, 2015