

# FLORIDA VIRTUAL CAMPUS

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2014



## CHANCELLORS, BOARD OF DIRECTORS, AND EXECUTIVE DIRECTOR

The Chancellors, Board of Directors, and Executive Director who served during the 2013-14 fiscal year are listed below:

### Chancellors

Marshall M. Criser, III, State University System of Florida from 1-6-14  
Dr. Jan Ignash, Interim Chancellor, State University System of Florida from 10-1-13 to 1-5-14  
Frank T. Brogan, State University System of Florida to 9-30-13  
Randall W. Hanna, Division of Florida Colleges

### Board of Directors

Dr. Joseph Glover, Chair  
Dr. Burton H. Harres, Jr., Vice Chair to 5-31-14 (1)  
Richard A. Becker  
Dr. Edward Bonahue from 6-1-14  
Dr. Thomas Cavanagh  
Dr. Maribeth Ehasz  
Janice Henderson  
Shari A. Shuman  
Vicki Westergard  
Dr. Timothy G. Wise  
Julia A. Zimmerman

Donald J. Muccino, Executive Director

Note: (1) Director resigned on May 31, 2014. The Vice Chair position remained vacant from June 1, 2014, through June 30, 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 Micah E. Rodgers, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto: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](http://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.

FLORIDA VIRTUAL CAMPUS  
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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

Our audit disclosed that Florida Virtual Campus' basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

**Summary of Report on Internal Control and Compliance**

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

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

**Audit Objectives and Scope**

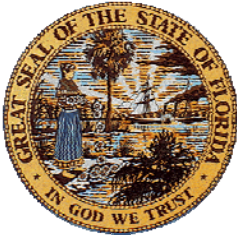
Our audit objectives were to determine whether Florida Virtual Campus and its officers with administrative and stewardship responsibilities for Florida Virtual Campus operations had:

- Presented Florida Virtual Campus' 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 Florida Virtual Campus' basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of Florida Virtual Campus' 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.

**Audit Methodology**

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Florida Virtual Campus as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Florida Virtual Campus' 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund for Florida Virtual Campus as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 1, the financial statements of the Florida Virtual Campus are intended to present the respective financial position and changes in financial position of only that portion of the State of Florida that is attributable to Florida Virtual Campus. They do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2014, or the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 6, effective July 1, 2014, Chapter 2014-56, Laws of Florida, deleted provisions of Section 1006.73, Florida Statutes, which established the Florida Virtual Campus, and transferred all records, personnel, property, pending issues, and unexpended balances of appropriations, allocations, and other funds of the Florida Virtual Campus to the University of West Florida, a component unit of the State of Florida. Our opinion is not modified with respect to this matter.

***Other Matter******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE – GENERAL FUND, 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 Florida Virtual Campus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Virtual Campus' internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
March 3, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Florida Virtual Campus (FLVC) has prepared the following discussion and analysis to provide an overview of the financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- As of June 30, 2014, the assets exceed the liabilities by \$15,970,328. Of this amount, \$14,532,684 represents unrestricted net position, which may be used to meet FLVC's ongoing obligations to the students, faculty, and staff of the State's public colleges and universities.
- Total net position increased \$1,889,808, which represents a 13.4 percent increase over the 2012-13 fiscal year.
- General revenues total \$24,804,224, which represents a 9.6 percent increase over the 2012-13 fiscal year.
- Expenses total \$23,101,054, which represents a 6.5 percent increase over the 2012-13 fiscal year.
- As of June 30, 2014, the fund balance of the General Fund totals \$14,532,684, which represents an increase of \$2,507,118, or 20.8 percent increase, as compared to the 2012-13 fiscal year.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements.

#### Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about FLVC's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of FLVC presented on the accrual basis of accounting. The statement of net position provides information about FLVC's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equal net position, which is a measure of FLVC's financial health. The statement of activities presents information about the change in FLVC's net position, the results of operations, during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of FLVC is improving or deteriorating.

All of FLVC's activities and services are reported in the government-wide financial statements as governmental activities. For the purposes of these statements, FLVC's governmental activities are all classified as education, which is financed primarily by State appropriations. Capital asset activity is reported as governmental activities.

#### Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The FLVC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Fund financial statements provide more detailed information about FLVC's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in

contrast to the entitywide perspective contained in the government-wide financial statements. The FLVC has only one fund, which is classified within governmental funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about FLVC’s most significant funds. The FLVC’s only fund is the General Fund.

The FLVC adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	Governmental Activities	
	6-30-14	6-30-13
<b>Assets</b>		
Current Assets	\$ 14,889,664	\$ 12,423,441
Depreciable Capital Assets, Net	1,437,644	2,054,954
<b>Total Assets</b>	<u>16,327,308</u>	<u>14,478,395</u>
<b>Liabilities</b>		
Current Liabilities	<u>356,980</u>	<u>397,875</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,437,644	2,054,954
Unrestricted	<u>14,532,684</u>	<u>12,025,566</u>
<b>Total Net Position</b>	<u>\$ 15,970,328</u>	<u>\$ 14,080,520</u>

The largest portion (91 percent) of total net position at June 30, 2014, is unrestricted net position. Included in unrestricted net position is \$5,102,800 of prepaid items for e-resource licenses, service contracts, and organizational memberships purchased during the 2013-14 fiscal year. The balance of unrestricted net position will be used to meet

FLVC’s ongoing obligations to the students, faculty, and staff of Florida’s public colleges and universities, as well as the legislatively required unencumbered funds equal to 5 percent of the operating budget.

The net investment in capital assets at June 30, 2014, totals \$1,437,644 and represents 9 percent of total net position. Capital assets are used to provide services to students, faculty, and staff of Florida’s public colleges and universities; consequently, these assets are not available for future spending.

At the end of the current fiscal year, FLVC is able to report positive balances in all reported categories of net position for the entity as a whole. Positive balances were similarly reported for the prior fiscal year.

The following summarizes the activities of FLVC for the 2013-14 and 2012-13 fiscal years:

**Condensed Statement of Activities for the Fiscal Year Ended**

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 186,638	\$ 37,020
Operating Grants and Contributions		5,000
General Revenues:		
State Appropriations	24,652,717	22,462,036
Unrestricted Investment Earnings	151,507	175,752
Transfers from Legacy Organizations		13,094,664
<b>Total Revenues and Transfers</b>	<b>24,990,862</b>	<b>35,774,472</b>
Functions/Program Expenses:		
Education	22,850,789	21,693,952
Loss on Disposal of Capital Assets	250,265	
<b>Total Functions/Program Expenses</b>	<b>23,101,054</b>	<b>21,693,952</b>
<b>Change in Net Position</b>	<b>1,889,808</b>	<b>14,080,520</b>
Net Position - Beginning	14,080,520	
<b>Net Position - Ending</b>	<b>\$ 15,970,328</b>	<b>\$ 14,080,520</b>

The largest source of revenues for FLVC is the State of Florida. For the 2013-14 fiscal year, State appropriations totaled \$24,652,717, or 98.6 percent of total revenues. This represents an increase of \$2,190,681, or 9.8 percent, as compared to the 2012-13 fiscal year.

As part of a primary government, the State of Florida, FLVC’s financial statements report operating expenses as “Education,” conforming to its primary government’s statements. As State appropriations increased, FLVC increased its services provided to students, faculty, and staff of Florida’s public colleges and universities. Accordingly, total expenses increased by \$1,407,102, or 6.5 percent, as compared to the 2012-13 fiscal year. For additional information, the education expenses are further detailed in the natural expense classifications for the 2013-14 and 2012-13 fiscal years as follows:

**Additional Information, Natural Expense Classification For the Fiscal Year Ended**

	<u>6-30-14</u>	<u>6-30-13</u>
Contractual Services:		
Personnel	\$ 9,536,845	\$ 9,411,331
Software and Hardware Maintenance Contracts	3,487,635	2,173,840
E-Resource Licenses	6,570,605	7,096,226
Other Services and Expenses	2,678,926	2,247,290
Depreciation Expense	576,778	765,265
Loss on Disposal of Capital Assets	250,265	
Total Expenses	<u>\$ 23,101,054</u>	<u>\$ 21,693,952</u>

**FINANCIAL ANALYSIS OF FUNDS**

**Governmental Funds**

The focus of FLVC’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The General Fund is the only operating fund. Revenues and expenditures totaled \$24,990,862 and \$22,483,744, respectively, during the 2013-14 fiscal year. At the end of the current fiscal year, unassigned fund balance is \$9,429,884, while the total fund balance is \$14,532,684. Nonspendable fund balance is \$5,102,800, or 35.1 percent of total fund balance, which consists of prepaid items for e-resource licenses, service contracts, and organizational memberships purchased during the 2013-14 fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Final budgeted revenues and expenditures are in line with original budget amounts. Actual revenues are in line with the final budgeted amounts while actual expenditures are \$22,483,744, representing 8.8 percent less than final budgeted amounts. Actual expenditures were less than budgeted expenditures primarily due to a decrease in the number of filled positions for personnel-related services.

**CAPITAL ASSETS**

The net investment in capital assets for governmental activities as of June 30, 2014, is \$1,437,644. Capital assets consist of furniture and equipment. Capital assets decreased by \$617,310, or 30 percent, due to capital asset dispositions and depreciation expense in excess of capital asset additions in the 2013-14 fiscal year. Additional information on FLVC’s capital assets can be found in Notes 1 and 3 to the basic financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

In 2014, the Florida Legislature enacted Chapter 2014-056, Laws of Florida, which repealed the statute creating the FLVC and established two new organizations within the University of West Florida (UWF): the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. All FLVC records, personnel, property, pending issues, and unexpended balances of appropriations, allocations, and other funds of FLVC are to be transferred to UWF. Additional information on these transfers can be found in Note 6 to the basic financial statements.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Chuck Prince, Director of Administrative Services, Florida Virtual Campus, 1753 W. Paul Dirac Drive, Tallahassee, Florida 32310.

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**BASIC FINANCIAL STATEMENTS**


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**FLORIDA VIRTUAL CAMPUS  
STATEMENT OF NET POSITION  
June 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Interest Receivable	\$ 12,359
Due from Fiscal Agent	9,774,505
Prepaid Items	5,102,800
Depreciable Capital Assets, Net	1,437,644
<b>TOTAL ASSETS</b>	<b>16,327,308</b>
<b>LIABILITIES</b>	
Accounts Payable	356,980
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,437,644
Unrestricted	14,532,684
<b>TOTAL NET POSITION</b>	<b>\$ 15,970,328</b>

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

**FLORIDA VIRTUAL CAMPUS  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues <u>Charges for Services</u>	Net (Expense) Revenue and Change in Net Position <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Education	\$ 22,850,789	\$ 186,638	\$ (22,664,151)
Loss on Disposal of Capital Assets	<u>250,265</u>		<u>(250,265)</u>
<b>Total Governmental Activities</b>	<u>\$ 23,101,054</u>	<u>\$ 186,638</u>	<u>(22,914,416)</u>
General Revenues:			
State Appropriations			24,652,717
Unrestricted Investment Earnings			<u>151,507</u>
<b>Total General Revenues</b>			<u>24,804,224</u>
<b>Change in Net Position</b>			
Net Position - Beginning			<u>14,080,520</u>
<b>Net Position - Ending</b>			<u>\$ 15,970,328</u>

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

**FLORIDA VIRTUAL CAMPUS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014**

	General Fund
<b>ASSETS</b>	
Interest Receivable	\$ 12,359
Due from Fiscal Agent	9,774,505
Prepaid Items	5,102,800
<b>TOTAL ASSETS</b>	<b>\$ 14,889,664</b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 356,980
Fund Balances:	
Nonspendable:	
Prepaid Items	5,102,800
Unassigned Fund Balance	9,429,884
<b>Total Fund Balances</b>	<b>14,532,684</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,889,664</b>

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

FLORIDA VIRTUAL CAMPUS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

**Total Fund Balances - Governmental Funds** \$ 14,532,684

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,437,644

**Net Position - Governmental Activities** \$ 15,970,328

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

**FLORIDA VIRTUAL CAMPUS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental:	
State Appropriations	\$ 24,652,717
Local:	
Charges for Services	186,638
Investment Earnings	<u>151,507</u>
<b>Total Revenues</b>	<u>24,990,862</u>
<b>Expenditures</b>	
Current - Education	22,274,011
Capital Outlay	<u>209,733</u>
<b>Total Expenditures</b>	<u>22,483,744</u>
<b>Net Change in Fund Balances</b>	2,507,118
Fund Balances, Beginning	<u>12,025,566</u>
<b>Fund Balances, Ending</b>	<u><u>\$ 14,532,684</u></u>

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

**FLORIDA VIRTUAL CAMPUS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2014**

**Net Change in Fund Balances - Governmental Funds** \$ 2,507,118

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset activity in the current fiscal year:

Capital Outlay Expenditures	\$	209,733	
Depreciation Expense		<u>(576,778)</u>	(367,045)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.

(250,265)

**Change in Net Position - Governmental Activities**

**\$ 1,889,808**

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

**FLORIDA VIRTUAL CAMPUS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** These financial statements are intended to present the financial position and changes in financial position of the Florida Virtual Campus (FLVC), which represents only a portion of the primary government, the State of Florida. The FLVC operates under the general direction of the Florida Department of Education and is governed jointly by the Chancellors of the State University System and the Florida College System. To assist the Chancellors in their governance, a Board of Directors (Board) is appointed by the Chancellors. The Board is composed of 10 members, including: three members appointed by each Chancellor consisting of vice presidents of academic programs, student services, and finance and administration, respectively; and four members who serve by virtue of their offices, the Chair and Vice Chair of the Members Council on Distance Learning and Student Services and the Chair and Vice Chair of the Members Council on Library Services. Appointed members serve staggered two-year terms and may be reappointed for additional terms. To achieve staggered terms, beginning July 1, 2013, three members serve only one-year terms: the University Vice President for Academic Affairs, the College Vice President for Finance and Administration, and the College Vice President of Student Services. Appointed members serve until their successors are appointed. In the event of a vacancy of a member by whatever cause, the vacancy will be filled by the mechanism whereby the position was originally filled. The Executive Director is appointed by the Board and serves as the executive officer of the Board. See Note 6 regarding a subsequent event affecting the FLVC.

**Description of Government-wide Financial Statements.** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities. Governmental activities are supported by intergovernmental revenues and other exchange and nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges to customers or those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other revenues that are not properly included among program revenues are reported as general revenues.

**Basis of Presentation: Government-wide Financial Statements.** While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

**Basis of Presentation: Fund Financial Statements.** The fund financial statements provide information about FLVC's funds. The emphasis of fund financial statements is on major governmental funds. The general fund is the only governmental fund.

**Basis of Accounting.** The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**FLORIDA VIRTUAL CAMPUS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. When grant terms provide that expenditure of resources is the prime factor for determining eligibility for Federal resources, revenue is recognized at the time the expenditure is made. In accordance with the primary government, the FLVC considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Due from Fiscal Agent.** Due from fiscal agent consists of investments in the State Treasury Special Purpose Investment Account held by FLVC's fiscal agent, the University of Florida.

**Prepaid Items.** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased. A schedule of prepaid items for the current fiscal year is presented in Note 2.

**Capital Assets.** Expenditures for capital assets are reported in the general fund. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. The FLVC follows their fiscal agent's policies related to capital assets, which are defined as those items costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

- Furniture and Equipment – 3 to 20 years
- Computer Software – 5 years

Current year information relative to changes in capital assets is described in Note 3.

**Net Position Flow Assumption.** In accordance with the primary government, when both restricted and unrestricted resources are to be used for the same purpose, the FLVC determines the flow assumption used to identify the portion of expenses paid from restricted resources. The FLVC considers restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions.** In accordance with the primary government, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. When expenditures are incurred for which unrestricted (committed or

**FLORIDA VIRTUAL CAMPUS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State’s general policy to spend committed resources first. However, the FLVC determines the flow assumption used to identify the portion of expenses paid from restricted resources. The FLVC considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**State Revenue Sources.** State appropriations are the primary source of revenues for operations. State funds not expended prior to the close of the fiscal year may be carried forward into the following year to be expended for operations.

**2. PREPAID ITEMS**

Prepaid items at June 30, 2014, consist of e-resource licenses for Florida’s public colleges and universities, service contracts for hardware/software maintenance, and organizational memberships, as shown below:

	Amount
E-Resource Licenses	\$ 4,077,191
Hardware/Software Maintenance	1,018,743
Organizational Memberships	6,866
<b>Total Prepaid Items</b>	<b>\$ 5,102,800</b>

**3. CAPITAL ASSETS**

Capital asset activity for the fiscal year ending June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 6,528,699	\$ 209,733	\$ 1,873,321	\$ 4,865,111
Computer Software	171,085		171,085	
<b>Total Capital Assets Being Depreciated</b>	<b>6,699,784</b>	<b>209,733</b>	<b>2,044,406</b>	<b>4,865,111</b>
Less Accumulated Depreciation for:				
Furniture and Equipment	4,473,745	576,778	1,623,056	3,427,467
Computer Software	171,085		171,085	
<b>Total Accumulated Depreciation</b>	<b>4,644,830</b>	<b>576,778</b>	<b>1,794,141</b>	<b>3,427,467</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 2,054,954</b>	<b>\$ (367,045)</b>	<b>\$ 250,265</b>	<b>\$ 1,437,644</b>

**4. FUND BALANCE REPORTING**

In accordance with the primary government, the FLVC reports its governmental fund balances in the following categories, as applicable:

- **Nonspendable Fund Balance.** Nonspendable fund balance includes amounts that cannot be spent. This includes activity that is not in a spendable form, such as inventories, prepaid amounts, and long-term portion of loans/net notes receivable unless the proceeds are restricted, committed or assigned.

**FLORIDA VIRTUAL CAMPUS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

Additionally, activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund, is considered nonspendable.

- **Restricted Fund Balance.** Restricted fund balances have constraints placed upon the use of the resources either by an external party, such as the Federal government, or imposed by law through a constitutional provision or enabling legislation.
- **Committed Fund Balance.** Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority, the Legislature and the Governor, i.e., through legislation passed into law. Commitments may only be rescinded by equivalent formal, highest-level action.
- **Unassigned Fund Balance.** Unassigned fund balance is the residual amount of the general fund not included in the three categories described above. Also, any remaining deficit fund balances within the other governmental fund types are reported as unassigned.

## 5. SELF-INSURANCE

The FLVC participates in the State of Florida's property and casualty self-insurance program, administered through the University of Florida. Information on the State of Florida's self-insurance program is contained in the Florida Comprehensive Annual Financial Report prepared by the Department of Financial Services.

## 6. SUBSEQUENT EVENT

Effective July 1, 2014, Chapter 2014-56, Laws of Florida, deleted provisions of Section 1006.73, Florida Statutes, which established FLVC and established two new organizations at the University of West Florida (UWF): the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. The legislation provides that:

- All records, personnel, property, pending issues, and unexpended balances of appropriations, allocations, and other funds of FLVC are transferred to UWF.
- Except for the service agreement executed July 1, 2012, between the University of Florida (UF) Board of Trustees and the FLVC for UF to be the administrative contract institution of FLVC, all other binding contracts or agreements entered into and between FLVC or an entity or agent of FLVC and any other agency, entity, or person shall continue as a binding contract or agreement of UWF for the remainder of the term of such contract or agreement.
- The service agreement executed July 1, 2012, between the UF Board of Trustees and the FLVC for UF to be the administrative contract institution of FLVC shall terminate December 31, 2014, or upon the transfer, whichever occurs first.

In September 2014, the Joint Legislative Budget Commission approved a transition plan and budget amendment submitted by the Board of Governors. This action effectively transferred the budget, assets, and contracts of FLVC to UWF. It was determined that it was in the best interests of UWF and the personnel affected by this transfer to contract with UF to provide continued services during the transitional period and that the transition of organization staff to UWF employment will be effective January 1, 2015.

On March 3, 2015, UF completed the transfer of \$2,283,063 to UWF, representing the remaining FLVC assets held by UF related to the service agreement executed July 1, 2012.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**FLORIDA VIRTUAL CAMPUS  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

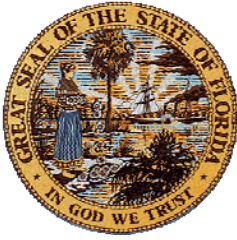
**For the Fiscal Year Ended June 30, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
State Appropriations	\$ 24,643,027	\$ 24,643,027	\$ 24,652,717	\$ 9,690
Local:				
Charges for Services			186,638	186,638
Investment Earnings			151,507	151,507
<b>Total Revenues</b>	<u>24,643,027</u>	<u>24,643,027</u>	<u>24,990,862</u>	<u>347,835</u>
<b>Expenditures</b>				
Current - Education	24,337,527	24,337,527	22,274,011	2,063,516
Capital Outlay	305,500	305,500	209,733	95,767
<b>Total Expenditures</b>	<u>24,643,027</u>	<u>24,643,027</u>	<u>22,483,744</u>	<u>2,159,283</u>
<b>Net Change in Fund Balances</b>			2,507,118	2,507,118
Fund Balances, Beginning	<u>12,025,566</u>	<u>12,025,566</u>	<u>12,025,566</u>	
<b>Fund Balances, Ending</b>	<u>\$ 12,025,566</u>	<u>\$ 12,025,566</u>	<u>\$ 14,532,684</u>	<u>\$ 2,507,118</u>

**FLORIDA VIRTUAL CAMPUS  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**1. BUDGETARY BASIS OF ACCOUNTING**

The budget is prepared in accordance with policies of the State of Florida. An annual operating budget is presented to and approved by the Board and the Chancellors of the State University System and the Florida College System. The annual operating budget is based on the projected expenditures for continued operations in conjunction with the authorized State appropriations and other funds available. Budgets are prepared using a modified accrual basis of accounting.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

### Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Florida Virtual Campus, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Florida Virtual Campus' basic financial statements, and have issued our report thereon dated March 3, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Virtual Campus' 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 Florida Virtual Campus' internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Virtual Campus' 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 Florida Virtual Campus' 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 Florida Virtual Campus' 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 results of that testing, and not to provide an opinion on the effectiveness of Florida Virtual Campus' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Virtual Campus' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
March 3, 2015