

FLORIDA GATEWAY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

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Thomas M. Riherd, II, Chair (1)	Union
Dr. Athena Randolph, Vice Chair (1)	Columbia
Robert C. Brannan, III	Baker
Donald R. Kennedy to 9-24-13	Columbia
Lindsey Lander from 9-25-13 (2)	Gilchrist
Kathryn L. McInnis	Dixie
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Dr. James A Surrency to 9-24-13	Gilchrist
Dr. Miguel J. Tepedino from 9-25-13 (2)	Columbia
Vacant (4)	Dixie

Dr. Charles W. Hall, President

- Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2014.
(3) Board member served beyond the end of term, May 31, 2013.
(4) Position remained vacant from July 1, 2013, 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 Tiffany R. Wilson, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

FLORIDA GATEWAY COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

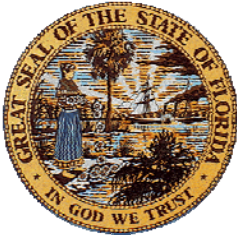
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

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

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2015-038.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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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 Florida Gateway 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 Florida Gateway 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** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, 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 Gateway 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 Florida Gateway College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 9, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit, The Foundation for Florida Gateway College, Inc., for the fiscal years ended March 31, 2014, and March 31, 2013.

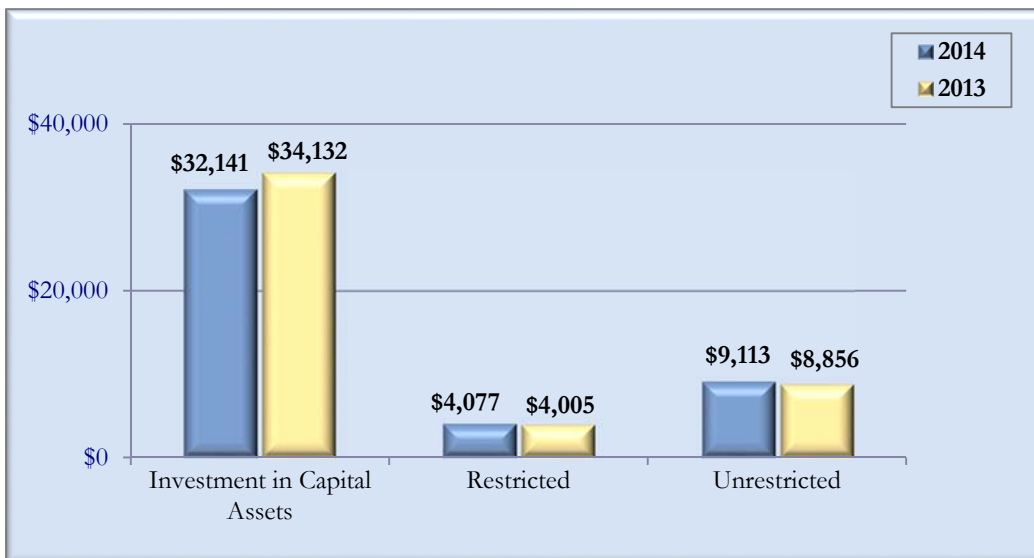
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$48.8 million at June 30, 2014. This balance reflects a \$1.4 million, or 2.8 percent, decrease as compared to the 2012-13 fiscal year, resulting primarily from a decrease in net capital assets. Liabilities increased by \$250 thousand, or 7.7 percent, totaling \$3.5 million at June 30, 2014, as compared to \$3.3 million at June 30, 2013. This was primarily due to an increase of \$245 thousand in current liabilities. As a result, the College’s net position decreased by \$1.7 million, resulting in a year-end balance of \$45.3 million.

The College’s operating revenues totaled \$5.9 million for the 2013-14 fiscal year, representing a 4.5 percent decrease as compared to the 2012-13 fiscal year. Operating revenues primarily consist of student tuition and fees, grants and contracts, and net auxiliary enterprises. Operating expenses totaled \$27.2 million for the 2013-14 fiscal year, representing an increase of 1.3 percent as compared to the 2012-13 fiscal year.

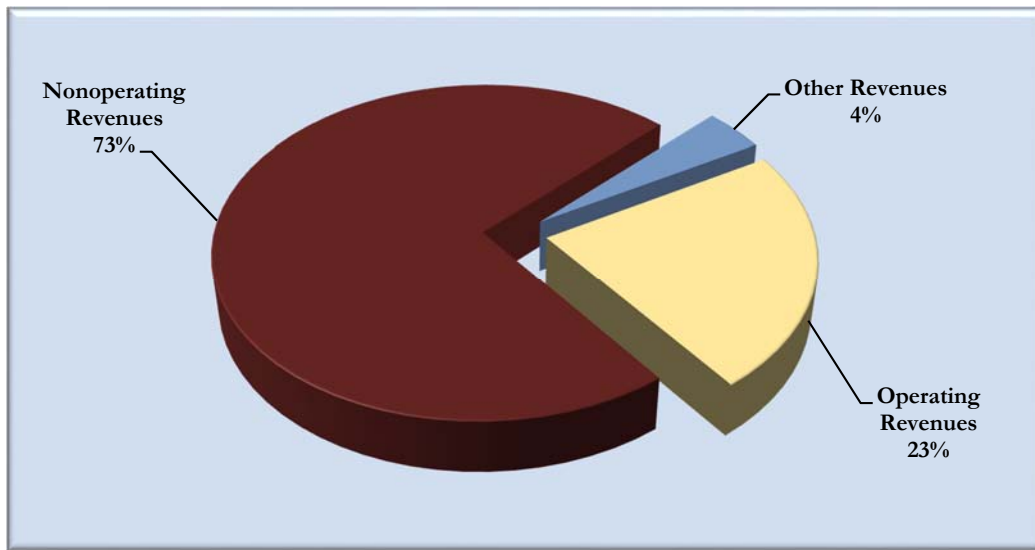
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



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

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:

- Florida Gateway 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.
- The Foundation for Florida Gateway College, 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 Foundation’s fiscal year differs from the College and covers the period April through March.

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, equal net position, which is one indicator of the College’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College’s financial condition.

A condensed statement of assets, liabilities, and net position of the College and its component unit for the respective fiscal years ended is shown in the following table:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	\$ 8,708	\$ 8,954	\$ 10,704	\$ 9,112
Capital Assets, Net	32,141	34,132	233	238
Other Noncurrent Assets	7,992	7,167	3,926	3,453
Total Assets	<u>48,841</u>	<u>50,253</u>	<u>14,863</u>	<u>12,803</u>
Liabilities				
Current Liabilities	1,830	1,585	282	27
Noncurrent Liabilities	1,680	1,675		
Total Liabilities	<u>3,510</u>	<u>3,260</u>	<u>282</u>	<u>27</u>
Net Position				
Investment in Capital Assets	32,141	34,132	233	238
Restricted	4,077	4,005	13,791	12,057
Unrestricted	9,113	8,856	557	481
Total Net Position	<u>\$ 45,331</u>	<u>\$ 46,993</u>	<u>\$ 14,581</u>	<u>\$ 12,776</u>

Total assets decreased \$1.4 million primarily due to the decrease in due from other agencies and capital assets offset by an increase in noncurrent restricted cash and cash equivalents. College capital assets decreased \$2 million due to annual depreciation expense of \$2.2 million offset by an increase in furniture, fixtures and equipment and other structures and improvements. Current liabilities increased \$245 thousand primarily due to an increase in current accounts payables related to funds owed to students at fiscal year end.

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

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	\$ 5,874	\$ 6,152	\$ 679	\$ 841
Less, Operating Expenses	27,160	26,813	1,071	909
Operating Loss	(21,286)	(20,661)	(392)	(68)
Net Nonoperating Revenues	18,574	18,156	1,607	1,070
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,712)	(2,505)	1,215	1,002
Other Revenues	1,050	1,088	590	233
Net Increase (Decrease) In Net Position	(1,662)	(1,417)	1,805	1,235
Net Position, Beginning of Year	46,993	48,410	12,776	11,541
Net Position, End of Year	<u>\$ 45,331</u>	<u>\$ 46,993</u>	<u>\$ 14,581</u>	<u>\$ 12,776</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.

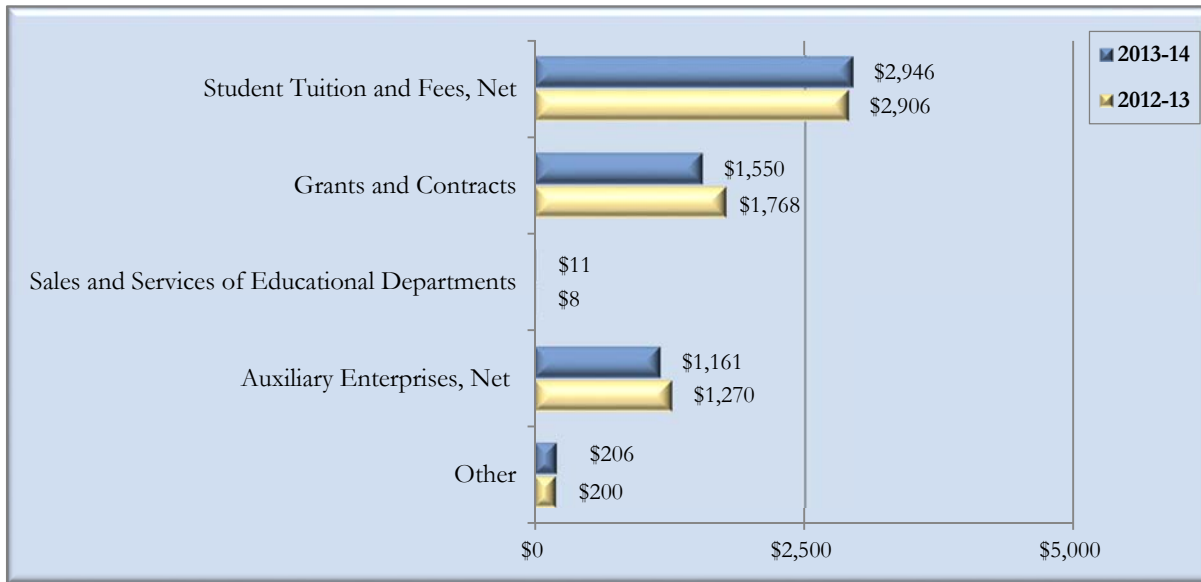
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	\$ 2,946	\$ 2,906	\$	\$
Grants and Contracts	1,550	1,768	82	62
Sales and Services of Educational Departments	11	8		
Auxiliary Enterprises, Net	1,161	1,270		
Other	206	200	597	779
Total Operating Revenues	<u>\$ 5,874</u>	<u>\$ 6,152</u>	<u>\$ 679</u>	<u>\$ 841</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 changes were the result of a decrease in grant activity of \$218 thousand and a decrease in auxiliary sales of \$109 thousand.

Operating Expenses

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

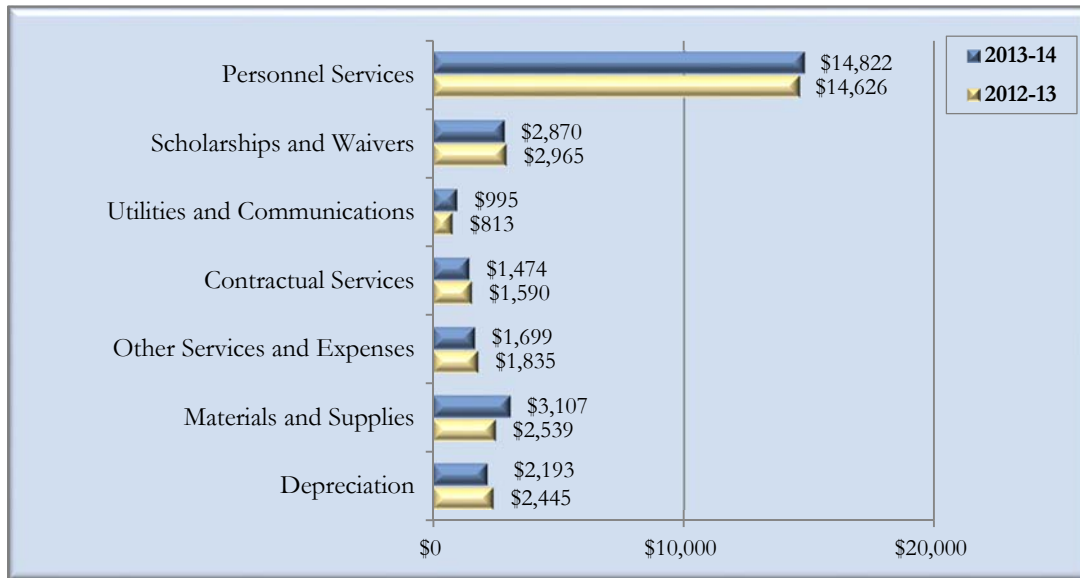
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	\$ 14,822	\$ 14,626	\$	\$
Scholarships and Waivers	2,870	2,965	623	571
Utilities and Communications	995	813		
Contractual Services	1,474	1,590	54	52
Other Services and Expenses	1,699	1,835	365	258
Materials and Supplies	3,107	2,539	23	22
Depreciation	2,193	2,445	6	6
Total Operating Expenses	\$ 27,160	\$ 26,813	\$ 1,071	\$ 909

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

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



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

- Personnel services increased \$196 thousand primarily related to employee raises in the 2013-14 fiscal year.
- Scholarships and waivers decreased \$95 thousand primarily due to the reduction of Federal Pell awards as a result of the decline in student enrollment as well as more stringent Federal financial aid eligibility requirements for students.
- Utilities and communications increased \$182 thousand primarily due to an increase in utilities expense related to water and gas.
- Contractual services decreased by \$116 thousand due to a decrease in the use of outside contractors.
- Other services and expenses decreased \$136 thousand primarily due to decreases in service contracts and agreements, insurance costs, and rental of facilities related to program changes.
- Materials and supplies increased \$568 thousand due to interior renovations that did not extend the useful life of buildings.

Nonoperating Revenues and Expenses

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

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	2013-14	2012-13
State Noncapital Appropriations	\$ 12,745	\$ 12,305
Federal and State Student Financial Aid	5,803	5,768
Investment Income	35	47
Unrealized Gain on Investments	7	42
Other Nonoperating Revenues	54	
Loss on Disposal of Capital Assets	(70)	
Interest on Capital Asset-Related Debt		(6)
Net Nonoperating Revenues	\$ 18,574	\$ 18,156

The College's net nonoperating revenues increased \$418 thousand primarily due to an increase in State noncapital revenues.

Other Revenues, Expenses, Gains, or Losses

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

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

	2013-14	2012-13
State Capital Appropriations	\$ 656	\$ 616
Capital Grants, Contracts, Gifts, and Fees	394	472
Total	\$ 1,050	\$ 1,088

State capital appropriations increased by \$40 thousand due to Public Education Capital Outlay appropriations recognized in the current year. There was a decrease of \$78 thousand in capital grants, contracts, gifts, and fees primarily due to a decrease in donated assets.

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	\$ (18,748)	\$ (18,586)
Noncapital Financing Activities	18,300	18,186
Capital and Related Financing Activities	1,322	(613)
Investing Activities	105	147
Net Increase (Decrease) in Cash and Cash Equivalents	979	(866)
Cash and Cash Equivalents, Beginning of Year	8,804	9,670
Cash and Cash Equivalents, End of Year	\$ 9,783	\$ 8,804

Major sources of cash inflows came from State noncapital appropriations (\$12.7 million), Federal and State financial aid (\$5.6 million), net student tuition and fees (\$3.1 million), grants and contracts (\$1.5 million), auxiliary enterprises, net (\$1.2 million), and State capital appropriations (\$1.1 million). Major cash outflows were for payments to employees (\$11.9 million), payments to suppliers (\$6.1 million), payments for employee benefits (\$2.9 million), and payments for scholarships (\$2.9 million).

Cash and cash equivalents increased \$979 thousand during the 2013-14 fiscal year, primarily due to an increase in cash provided by capital and related financing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had \$63.8 million in capital assets, less accumulated depreciation of \$31.7 million, for net capital assets of \$32.1 million. Depreciation charges for the current fiscal year totaled \$2.2 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	\$ 238	\$ 238
Construction in Progress		11
Buildings	28,466	29,740
Other Structures and Improvements	2,428	2,718
Furniture, Machinery, and Equipment	1,009	1,425
Capital Assets, Net	\$32,141	\$34,132

DEBT ADMINISTRATION

As of June 30, 2014, the College had no outstanding long-term debt.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2014-15 fiscal year. The Board of Trustees did not increase the tuition rates for the Fall 2014 term. The Board of Trustees approved a conservative budget for the 2014-15 fiscal year knowing that the existing unrestricted net position may need to be used to partially fund normal operating activities in the future.

The College will continue to research Federal and State grants to supplement academic instruction and services. The College’s current financial and capital plans will require funds from other sources to maintain the level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Business Services, Florida Gateway College, 149 SE College Place, Lake City, Florida 32025-2007.

BASIC FINANCIAL STATEMENTS

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

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,761,495.21	\$ 362,381.00
Restricted Cash and Cash Equivalents	68,609.05	946,016.00
Investments		195,186.00
Restricted Investments		9,156,686.00
Accounts Receivable, Net	126,028.44	41,650.00
Notes Receivable, Net	18,516.29	
Due from Other Governmental Agencies	1,045,360.43	
Due from Component Unit	89,988.76	
Inventories	591,887.80	
Prepaid Expenses	6,092.10	
Other Assets	200.00	2,405.00
Total Current Assets	8,708,178.08	10,704,324.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,952,789.00	
Investments	5,000,000.00	
Restricted Investments	39,099.52	3,926,069.00
Depreciable Capital Assets, Net	31,903,235.21	132,384.00
Nondepreciable Capital Assets	238,047.93	100,214.00
Total Noncurrent Assets	40,133,171.66	4,158,667.00
TOTAL ASSETS	48,841,349.74	14,862,991.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	373,053.08	281,869.00
Salary and Payroll Taxes Payable	1,160,377.96	
Due to Other Governmental Agencies	1,567.37	
Deposits Held for Others	2,325.00	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	293,341.26	
Total Current Liabilities	1,830,664.67	281,869.00
Noncurrent Liabilities:		
Compensated Absences Payable	1,489,130.15	
Other Postemployment Benefits Payable	190,428.00	
Total Noncurrent Liabilities	1,679,558.15	
TOTAL LIABILITIES	3,510,222.82	281,869.00

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

	College	Component Unit
NET POSITION		
Investment in Capital Assets	\$ 32,141,283.14	\$ 232,598.00
Restricted:		
Nonexpendable:		
Endowment		4,318,983.00
Expendable:		
Grants and Loans	385,522.97	
Scholarships	112,330.74	9,471,851.00
Capital Projects	3,578,684.02	
Unrestricted	9,113,306.05	557,690.00
TOTAL NET POSITION	\$ 45,331,126.92	\$ 14,581,122.00

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

FLORIDA GATEWAY 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 \$2,501,244.31	\$ 2,945,613.10	\$
Federal Grants and Contracts	1,350,385.41	
State and Local Grants and Contracts	16,120.00	81,758.00
Nongovernmental Grants and Contracts	182,923.60	
Sales and Services of Educational Departments	11,429.00	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$349,008.01	1,161,405.05	
Other Operating Revenues	206,363.59	597,124.00
	5,874,239.75	678,882.00
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Personnel Services	14,821,643.70	
Scholarships and Waivers	2,870,376.47	623,197.00
Utilities and Communications	995,258.36	
Contractual Services	1,473,939.22	53,899.00
Other Services and Expenses	1,699,413.60	364,657.00
Materials and Supplies	3,106,793.67	23,334.00
Depreciation	2,192,455.33	5,926.00
	27,159,880.35	1,071,013.00
Total Operating Expenses		
Operating Loss		
	(21,285,640.60)	(392,131.00)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	12,744,761.00	
Federal and State Student Financial Aid	5,802,400.55	
Investment Income	35,174.25	217,194.00
Other Nonoperating Revenues	54,028.45	
Gain/(Loss) on Disposal of Capital Assets	(69,883.66)	11,449.00
Unrealized Gain on Investments	7,183.89	1,424,072.00
Other Nonoperating Expenses		(45,290.00)
	18,573,664.48	1,607,425.00
Net Nonoperating Revenues		
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		
	(2,711,976.12)	1,215,294.00
State Capital Appropriations	655,871.00	90,414.00
Capital Grants, Contracts, Gifts, and Fees	394,208.67	499,250.00
	1,050,079.67	589,664.00
Total Other Revenues		
Increase (Decrease) in Net Position		
	(1,661,896.45)	1,804,958.00
Net Position, Beginning of Year	46,993,023.37	12,776,164.00
Net Position, End of Year	\$ 45,331,126.92	\$ 14,581,122.00

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

FLORIDA GATEWAY 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	\$ 3,097,499.50
Grants and Contracts	1,527,035.30
Payments to Suppliers	(6,056,688.19)
Payments for Utilities and Communications	(994,947.37)
Payments to Employees	(11,885,341.36)
Payments for Employee Benefits	(2,906,231.36)
Payments for Scholarships	(2,870,376.47)
Loans Issued to Students	(238,864.26)
Collection on Loans to Students	240,988.05
Auxiliary Enterprises, Net	1,152,291.22
Sales and Service of Educational Departments	11,429.00
Other Receipts	175,281.09
	(18,747,924.85)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	12,744,761.00
Federal and State Student Financial Aid	5,573,528.22
Federal Direct Loan Program Receipts	836,378.25
Federal Direct Loan Program Disbursements	(854,965.00)
	18,299,702.47
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,145,856.27
Capital Grants and Gifts	358,993.67
Proceeds from Sale of Capital Assets	54,028.45
Purchases of Capital Assets	(236,673.40)
	1,322,204.99
Net Cash Provided by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	69,736.50
Investment Income	35,174.25
	104,910.75
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	978,893.36
Cash and Cash Equivalents, Beginning of Year	8,803,999.90
	\$ 9,782,893.26
Cash and Cash Equivalents, End of Year	

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (21,285,640.60)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,192,455.33
Changes in Assets and Liabilities:	
Accounts Receivable, Net	127,550.88
Due from Other Governmental Agencies	(7,172.02)
Inventories	(27,993.75)
Prepaid Expenses	310.99
Notes Receivables	2,123.79
Accounts Payable	251,452.05
Salary and Payroll Taxes Payable	115,685.42
Due to Other Governmental Agencies	(4,831.33)
Deposits Held for Others	(26,251.17)
Compensated Absences Payable	(120,968.44)
Other Postemployment Benefits Payable	35,354.00
NET CASH USED BY OPERATING ACTIVITIES	\$ (18,747,924.85)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 7,183.89
Donation 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.	\$ 35,215.00
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.	\$ (69,883.66)

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

FLORIDA GATEWAY 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 Florida Gateway College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Baker, Columbia, Dixie, Gilchrist, and Union Counties.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, The Foundation for Florida Gateway College, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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

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

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

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this

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

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

At June 30, 2014, the College reported as cash equivalents at fair value \$21,925.26 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years and fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and software. 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
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years
- Software – 5 years

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

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

2. INVESTMENTS

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

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

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

<u>Investment Type</u>	<u>Amount</u>
SBA Fund B Surplus Funds Trust Fund	\$ 39,099.52
Certificates of Deposit	5,000,000.00
Total College Investments	\$ 5,039,099.52

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 \$39,099.52 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.

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

Certificates of Deposit. The College invested in certificates of deposit from a financial institution. The certificates have original maturity dates of 12 to 24 months with annual percentage rates ranging from 0.4 to 0.5 percent. The College’s investments in certificates of deposit are in a qualified depository.

Component Unit Investments

The Foundation for Florida Gateway College, Inc. (Foundation), investments are managed by investments brokerage houses. There are no legal restrictions on the types of investments that can be made. The Foundation’s investment policy provides that investments are to be limited to premium investment grade mutual funds, equity securities, and debt securities from companies located throughout the United States. The policy also provides that debt securities should be maintained as near as possible to 20 percent of the total investment portfolio. Foundation investments at March 31, 2014, are recorded at fair value based on quoted market prices as follows:

Investment Type	Market Price
Commonfund:	
Multi-Strategy Bond Mutual Funds	\$ 2,907,920
Multi-Strategy Equity Mutual Funds	7,916,267
Global Multi-Asset Fund	1,198,479
Captial Partners V	200,974
Realty Investors, LLC	577
Raymond James:	
Alternative Investments	1,053,724
Total Component Unit Investments	\$ 13,277,941

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation has no formal policy that limits investment maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the weighted average maturity and duration methods. As of March 31, 2014, the weighted average maturity for the Commonfund bond mutual funds was 7.42 years and the effective duration of Raymond James Alternative Investments was 2.56 years.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. As of March 31, 2014, the credit quality for Commonfund bond mutual fund was A+ and A+f for the Raymond James Alternative Investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in corporate stocks are held in counterparty accounts as custodian for the Foundation.

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments in a single issuer. The Foundation's investment policy does not limit the amount that may be invested in any type of investment.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$125,880.37 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program of \$37,147.17. Notes receivable are reported net of \$18,630.88 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$714,751.42 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$89,988.76 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, program support, and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2014. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2014. Accordingly, although the College reported an amount as due from component unit on the statement of net position, no amount is reported by the component unit as due to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore, and are valued using the first-in, first-out method of inventory valuation. In addition, inventories consist of various types of centrally stored consumable materials and supplies, which are valued using the average cost or last invoice price, which approximates first-in, first-out method of inventory valuation.

8. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 238,047.93	\$	\$	\$ 238,047.93
Construction in Progress	10,530.10		10,530.10	
Total Nondepreciable Capital Assets	\$ 248,578.03	\$	\$ 10,530.10	\$ 238,047.93
Depreciable Capital Assets:				
Buildings	\$ 48,607,955.05	\$	\$	\$ 48,607,955.05
Other Structures and Improvements	7,603,342.69	10,530.10		7,613,872.79
Furniture, Machinery, and Equipment	5,796,592.21	271,888.40	193,516.63	5,874,963.98
Software	1,472,407.25			1,472,407.25
Total Depreciable Capital Assets	63,480,297.20	282,418.50	193,516.63	63,569,199.07
Less, Accumulated Depreciation:				
Buildings	18,867,875.29	1,274,306.48		20,142,181.77
Other Structures and Improvements	4,885,710.02	300,012.66		5,185,722.68
Furniture, Machinery, and Equipment	4,371,148.94	618,136.19	123,632.97	4,865,652.16
Software	1,472,407.25			1,472,407.25
Total Accumulated Depreciation	29,597,141.50	2,192,455.33	123,632.97	31,665,963.86
Total Depreciable Capital Assets, Net	\$ 33,883,155.70	\$ (1,910,036.83)	\$ 69,883.66	\$ 31,903,235.21

9. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 1,903,439.85	\$ 16,176.66	\$ 137,145.10	\$ 1,782,471.41	\$ 293,341.26
Other Postemployment Benefits Payable	155,074.00	35,354.00		190,428.00	
Total Long-Term Liabilities	\$ 2,058,513.85	\$ 51,530.66	\$ 137,145.10	\$ 1,972,899.41	\$ 293,341.26

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$1,782,471.41. The current portion of the compensated absences liability, \$293,341.26, is the amount expected to be paid in the coming fiscal year, and was determined based on the anticipated payout in the next fiscal year.

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

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and 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, 24 retirees received other postemployment benefits. The College provided no contributions during the 2013-14 fiscal year and retiree contributions totaled \$164,826 which represents 1.8 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 17,802
Amortization of Unfunded Actuarial Accrued Liability	5,078
Annual Required Contribution	22,880
Interest on Net OPEB Obligation	6,203
Adjustment to Annual Required Contribution	6,271
Annual OPEB Cost (Expense)	35,354
Contributions Toward the OPEB Cost	
Increase in Net OPEB Obligation	35,354
Net OPEB Obligation, Beginning of Year	155,074
Net OPEB Obligation, End of Year	\$ 190,428

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

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	\$ 32,789	0.0%	\$ 122,785
2012-13	32,289	0.0%	155,074
2013-14	23,914	(47.8%)	190,428

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$152,348, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$152,348, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,218,160 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.7 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, which is the College’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent, 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 pre-Medicare and 4 years 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.

FLORIDA GATEWAY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

10. RETIREMENT PROGRAMS

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

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

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

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:

**FLORIDA GATEWAY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
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JUNE 30, 2014**

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

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

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$505,779, \$539,364, and \$831,373, respectively, which were equal to the required contributions for each fiscal year.

There were 59 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$268,616, 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).

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

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

FLORIDA GATEWAY COLLEGE
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JUNE 30, 2014

There were 9 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$46,703 and employee contributions totaled \$19,088 for the 2013-14 fiscal year.

Senior Management Service Local Annuity Program. Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. College employees in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 6.27 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

As of June 30, 2014, one College employee opted to participate in the Local Annuity Program. The College's contributions to the Annuity Program totaled \$5,260 for the 2013-14 fiscal year.

11. RISK MANAGEMENT PROGRAMS

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

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the

**FLORIDA GATEWAY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

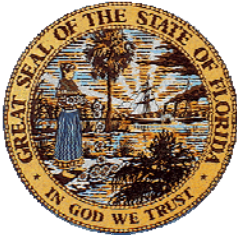
primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 7,745,842.59
Institutional Support	4,660,595.92
Operation and Maintenance of Plant	3,261,593.85
Academic Support	3,019,459.51
Scholarships and Waivers	2,917,269.95
Depreciation	2,192,455.33
Student Services	2,007,072.57
Auxiliary Enterprises	1,354,989.93
Public Services	<u>600.70</u>
Total Operating Expenses	<u>\$ 27,159,880.35</u>

**FLORIDA GATEWAY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 304,109	\$ 304,109	0%	\$ 8,624,979	3.5%
7/1/2011	-	169,949	169,949	0%	8,546,686	2.0%
7/1/2013	-	152,348	152,348	0%	9,218,160	1.7%

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



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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 Florida Gateway 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 9, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2015-038.

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 9, 2015