

**FLORIDA STATE COLLEGE AT
JACKSONVILLE**

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

	<u>County</u>
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Gwendolyn C. Yates, Vice Chair	Duval
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Suanne Z. Thamm	Nassau
N. Wyman Winbush, II to 7-14-09 (3)	Duval

Dr. Steven R. Wallace, President

- Notes: (1) Member continued to serve after term expired on May 31, 2010.
- (2) Position remained vacant from February 28, 2009, to July 14, 2009. Also, Member continued to serve after term expired on May 31, 2010.
- (3) Member continued to serve after term expired on May 31, 2009.

The Vice Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

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 Lenia Blades, and the audit was supervised by John P. Duffy, 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) 922-2263.

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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

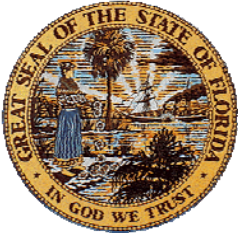
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 34. These financial statements are the responsibility of College management. 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, as described in note 1 to the financial statements, which represents 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 thereon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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 State College at Jacksonville and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida State College at Jacksonville'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 35 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.

Respectfully submitted,



David W. Martin, CPA
February 21, 2011

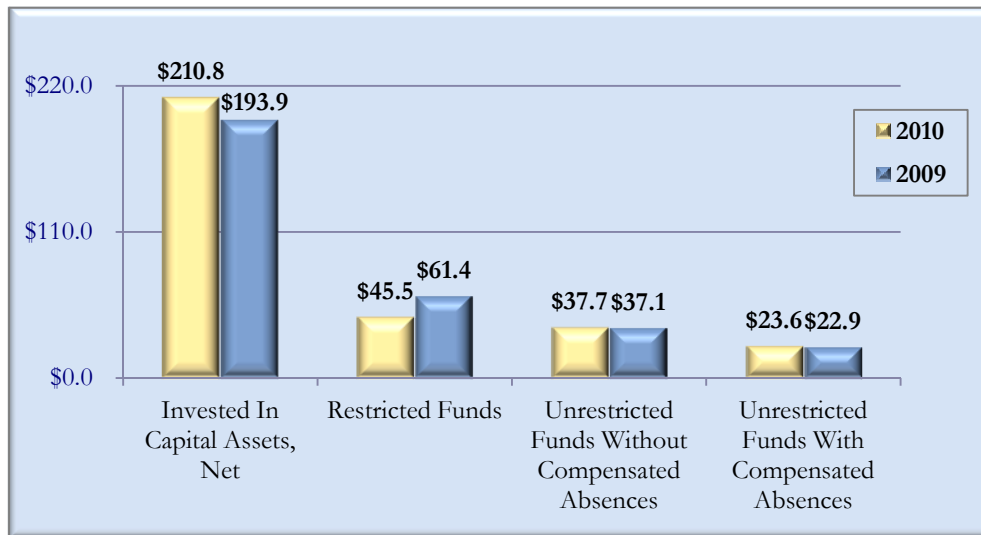
MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College’s comparative net assets by category for the fiscal years ended June 30, 2010, and June 30, 2009, are shown in the following graph:

**Net Assets: College by Category at June 30
(In Millions)**



The College’s financial position, as a whole, continues strong as evidenced by a \$1.7 million increase in total net assets over this past fiscal year increasing from \$278.2 million on June 30, 2009, to \$279.9 million as of June 30, 2010. This net asset growth was primarily because of increases in student tuition and fees and Federal Pell grants.

In the above graph, unrestricted funds are presented first without reduction for compensated absences payable and then with a reduction for compensated absences payable. The compensated absences liability is mostly long-term and is not paid until the employees retire or terminate employment. Therefore, this liability does not significantly impair the College’s ability to meet its required cash flows or maintain current operations.

The College’s operating revenues totaled \$64.3 million for the 2009-10 fiscal year, representing a 2.5 percent increase over the 2008-09 fiscal year due mainly to growth in student tuition and fees. Operating expenses totaled \$206.5 million for the 2009-10 fiscal year, representing an increase of 13.7 percent over the 2008-09 fiscal year due mainly to increases in scholarships and waivers, and personnel services expenses.

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 assets; the statement of revenues, expenses, and changes in net assets; 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 State College at Jacksonville (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida State College Foundation, Inc. (Component Unit) – The Foundation is a direct-support organization of the College with the mission of raising funds to support academic programs and student scholarships. Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

One of the most important questions asked about the College’s finances is, “Is Florida State College at Jacksonville as a whole, better or worse off as a result of the year’s activities?” The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Florida State College at Jacksonville’s operating results.

These two statements report Florida State College at Jacksonville’s net assets and changes in them. You can think of the College’s net assets, the difference between assets and liabilities, as one way to measure the College’s financial health, or financial position. Over time, increases or decreases in the College’s net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College’s overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Total combined net assets of the College and Foundation at June 30, 2010, are \$309.5 million, an increase of \$5.4 million from the prior year, as shown in the following graph:

**Total Combined Net Assets at June 30
(In Millions)**



A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2010, and June 30, 2009, is shown in the following table:

Condensed Statement of Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Assets				
Current Assets	\$ 46,677	\$ 48,899	\$ 29,641	\$ 25,924
Capital Assets, Net	219,494 (1)	204,372 (1)		
Other Noncurrent Assets	61,727	64,998	13	13
Total Assets	<u>327,898</u>	<u>318,269</u>	<u>29,654</u>	<u>25,937</u>
Liabilities				
Current Liabilities	26,674	17,642	37	
Noncurrent Liabilities	21,326	22,468		
Total Liabilities	<u>48,000</u>	<u>40,110</u>	<u>37</u>	
Net Assets				
Invested in Capital Assets, Net of Related Debt	210,767	193,856		
Restricted	45,528	61,393	27,793	25,294
Unrestricted	23,603 (2)	22,910 (2)	1,824	643
Total Net Assets	<u>\$ 279,898</u>	<u>\$ 278,159</u>	<u>\$ 29,617</u>	<u>\$ 25,937</u>
Increase in Net Assets	<u>\$ 1,739</u>	0.63%	<u>\$ 3,680</u>	14.19%

Notes: (1) Shown at depreciated cost. Life-to-date accumulated depreciation recorded through the 2009-10 fiscal year totaled \$119.8 million. Of this amount, \$9.3 million related to the current fiscal year.

(2) Unrestricted net assets for the 2009-10 and 2008-09 fiscal years were reduced by \$14.1 and \$14.2 million, respectively, for the liability for accrued compensated leave payable for employees.

The largest portion of the College’s net assets (75.3 percent) is its investment in capital assets, net of related debt outstanding (e.g., land; buildings; and furniture, machinery, and equipment). The College uses these capital assets in providing educational services; consequently, these capital assets are not available for future spending. The restricted portion of net assets (16.3 percent) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets (8.4 percent) may be used to meet the College’s ongoing obligations to students, employees, and creditors. Invested in capital assets, net of related debt, increased by \$16.9 million and restricted net assets decreased by \$15.9 million, mainly because restricted capital outlay moneys available at June 30, 2009, were used for construction and renovation projects during the 2009-10 fiscal year.

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 up or receives something of equal or similar value.

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 assets and has displayed the functional classification in the notes to financial statements.

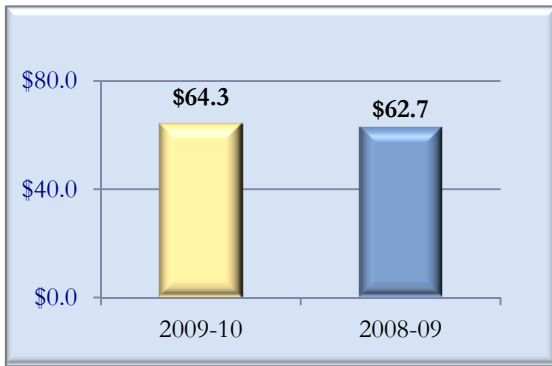
Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years are shown in the following table:

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

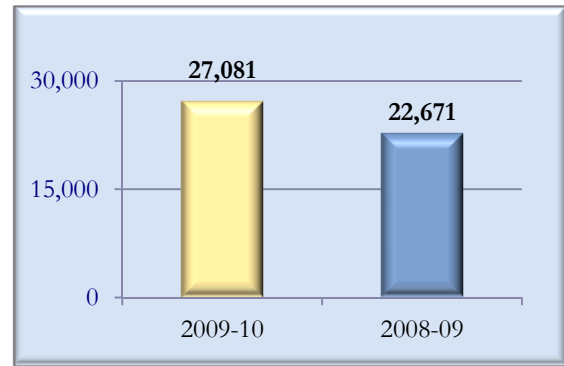
	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 50,031	\$ 47,424	\$	\$
Grants and Contracts	10,380	11,635		
Auxiliary Enterprises	1,509	1,300	4,985	8,634
Other Operating Revenues	2,411	2,385	2,736	2,905
Total Operating Revenues	64,331	62,744	7,721	11,539
Operating Expenses				
Personnel Services	111,202	100,386	656	567
Scholarships and Waivers	29,927	16,132	1,164	1,343
Utilities and Communications	6,820	7,016		
Supplies and Services	49,188	48,673	6,345	19,029
Depreciation	9,332	9,331		
Total Operating Expenses	206,469	181,538	8,165	20,939
Operating Loss	(142,138)	(118,794)	(444)	(9,400)
Nonoperating Revenues				
State Appropriations	70,408	76,299		
Other Nonoperating Revenues	62,913	31,599	3,868	(6,467)
Nonoperating Expenses	(440)	(509)		
Net Nonoperating Revenues (Expenses)	132,881	107,389	3,868	(6,467)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(9,257)	(11,405)	3,424	(15,867)
Capital Appropriations	6,105	30,853		
Capital Grants, Contracts, Gifts, and Fees	4,891	13,021		
Additions to Permanent Endowments			256	362
Increase (Decrease) in Net Assets	1,739	32,469	3,680	(15,505)
Net Assets, Beginning of Year	278,159	245,690	25,937	41,442
Net Assets, End of Year	\$ 279,898	\$ 278,159	\$ 29,617	\$ 25,937

In the fiscal year ended June 30, 2010, the College had operating revenues of \$64.3 million versus \$62.7 million in the prior year. This is mainly attributed to growth in student tuition and fees. Tuition-paying student enrollment increased 19.5 percent during the year. The following graphs represent operating revenues and tuition-paying student enrollment for the 2009-10 and 2008-09 fiscal years:

**Operating Revenues: College
(In Millions)**



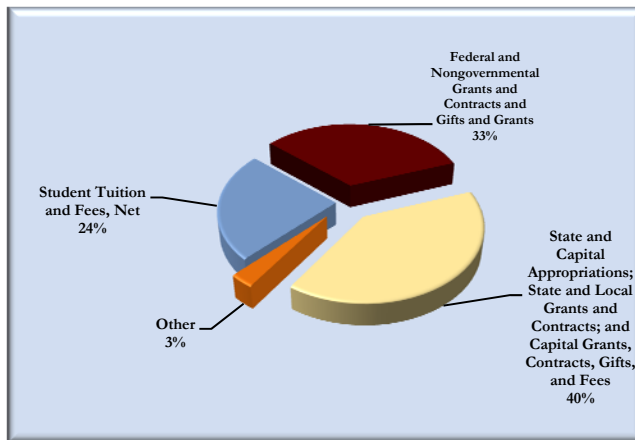
**Tuition-Paying Enrollment
(Full-Time Equivalent Students)**



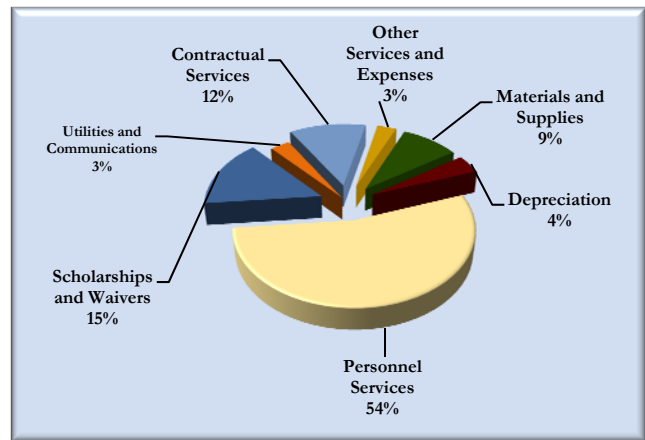
Operating expenses were \$206.5 million for the year, 54 percent of which represented personnel services expenses. Net nonoperating revenues of the College increased from \$107.4 million to \$132.9 million, mainly from increases in gifts and grants (\$30.3 million). The majority of the increase was because of an additional \$24.1 million received in Federal Pell grants as a result of increased student enrollment and increased financial aid award amounts. Additionally, \$6.1 million was received in Federal American Recovery and Reinvestment Act funds, which were offset by a decrease in State appropriations (\$5.9 million). Other revenues were \$11 million and decreased \$32.9 million, as compared to the prior year, mainly due to a decrease of \$20 million in funding related to the construction of an Aircraft Coating Educational Facility and a decrease of \$14.9 million, or 75.6 percent in Public Education Capital Outlay appropriations. State and capital appropriations, State and local grants and contracts, and capital grants, contracts, gifts, and fees accounted for 40 percent of the College’s revenues. Total revenues for the year were \$208.6 million.

The College’s total revenues and operating expenses for 2009-10 fiscal year are presented in the following charts:

**Total Revenues: College
\$208.6 Million**



**Total Operating Expenses: College
\$206.5 Million**



THE STATEMENT OF CASH FLOWS

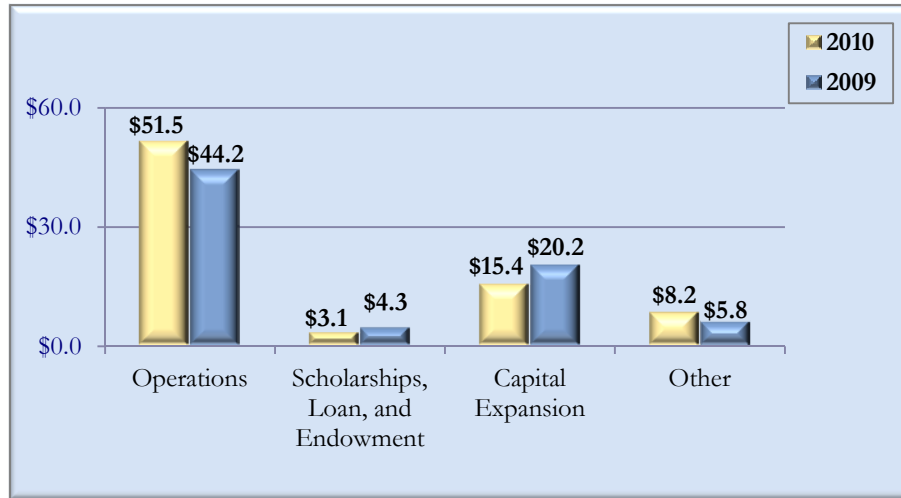
Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- 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.

Cash and investment balances of the College were \$78.2 million at the end of the current fiscal year, an increase of \$3.7 million. Year-end cash and investment balances are shown in the chart below:

**Cash and Investment Balances at June 30: College
(In Millions)**



A summary of the College’s cash flows, and cash and investment balances, for the fiscal years ended June 30, 2010, and June 30, 2009, are presented in the following table:

**Cash Flows and Investment Balances: College
(In Thousands)**

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (132,759)	\$ (111,539)
Noncapital Financing Activities	134,902	111,962
Capital and Related Financing Activities	(1,369)	21,400
Investing Activities	(4,768)	(7,163)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,994)	14,660
Cash and Cash Equivalents, Beginning of Year	26,989	12,329
Cash and Cash Equivalents, End of Year	22,995	26,989
Investments, End of Year	55,159	47,504
Total Cash and Investments	\$ 78,154	\$ 74,493

Major sources of funds came from State appropriations (\$70.4 million), noncapital gifts and grants (\$59.9 million), net student tuition and fees (\$48.9 million), capital appropriations (\$19.1 million), and grants and contracts (\$7.8 million). Major uses of cash included payments to employees (\$86.1 million), payments for employee benefits (\$22.9 million), payments to suppliers (\$49.2 million), payments for scholarships (\$29.9 million), payments for utilities and communications (\$6.8 million), and payments for acquisition of capital assets (\$23.2 million).

The College’s overall cash and cash equivalents decreased by \$4 million, or 14.8 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$21.2 million more in cash as compared to the prior year. The increase was primarily the result of an increase in payments for scholarships totaling \$13.8 million along with an increase in payments for employees and employee benefits of \$10.8 million, a \$4.5 million decrease in receipts for grants and contracts, offset by a \$2.6 million increase in other receipts and a \$5.3 million decrease in other payments.
- Noncapital financing activities gained \$22.9 million more in cash as compared to the prior fiscal year. Gifts and grants increased by \$30.3 million, primarily because of \$24.1 million in additional Federal Pell grants along with \$6.1 million received in Federal American Recovery and Reinvestment Act funds, which was partially offset by a decrease in State appropriations of \$5.9 million.
- Capital and related financing activities decreased by \$22.8 million as compared to the prior fiscal year. The decrease was primarily the result of the \$20 million one-time funding, received during the 2008-09 fiscal year, related to the construction of an Aircraft Coating Educational Facility.
- Investing activities used \$4.8 million in cash, which was \$2.4 million less than the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$339.3 million in capital assets, less accumulated depreciation of \$119.8 million, for net capital assets of \$219.5 million. Depreciation charges for the current fiscal year totaled \$9.3 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 8,217	\$ 8,217
Other Nondepreciable	15	15
Construction in Progress	20,367	22,057
Buildings	187,238	169,421
Other Structures and Improvements	722	846
Furniture, Machinery, and Equipment	2,935	3,816
Total Capital Assets, Net	\$ 219,494	\$ 204,372

The College has \$9 million in major construction commitments at June 30, 2010. The construction commitments are mainly for the Cecil Center Aircraft Coating Educational Facility, the South Campus Fire Training Burn Ship, and the Academic Skills Centers projects. State appropriations together with local funds are expected to finance the construction, renovation, and remodeling of facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$8.7 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

**Long-Term Debt, at June 30: College
(In Thousands)**

	2010	2009
SBE Capital Outlay Bonds	\$ 5,475	\$ 6,000
Note Payable	3,251	4,517
Total	\$ 8,726	\$ 10,517

The State Board of Education issues capital outlay bonds on behalf of the College. Additional information about the College’s long-term debt is presented in the notes to financial statements.

FLORIDA STATE COLLEGE FOUNDATION, INC.

The Florida State College Foundation, Inc. (Foundation), experienced an increase in net assets from \$25.9 million at June 30, 2009, to \$29.6 million at June 30, 2010. This \$3.7 million increase is primarily attributable to investment gains.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Florida State College at Jacksonville’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, the College is anticipating that additional funding sources will be limited in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2010 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, other required supplementary information, or requests for additional financial information should be addressed to the Associate Vice President for Financial Services, Florida State College at Jacksonville, 501 West State Street, Jacksonville, Florida 32202.

BASIC FINANCIAL STATEMENTS

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	\$ 1,246,326
Restricted Cash and Cash Equivalents	10,053,114	
Investments	6,187,335	28,394,636
Restricted Investments	186,610	
Accounts Receivable, Net	5,840,155	
Notes Receivable, Net	148,754	
Due from Other Governmental Agencies	24,145,441	
Due from Component Unit	36,518	
Inventories	78,801	
Total Current Assets	<u>46,676,728</u>	<u>29,640,962</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,942,083	
Investments	45,308,833	
Restricted Investments	3,476,581	
Depreciable Capital Assets, Net	190,895,199	
Nondepreciable Capital Assets	28,598,350	
Other Noncurrent Assets		12,667
Total Noncurrent Assets	<u>281,221,046</u>	<u>12,667</u>
TOTAL ASSETS	<u>\$ 327,897,774</u>	<u>\$ 29,653,629</u>
LIABILITIES		
Current Liabilities:		
Temporary Cash Overdraft	\$ 10,630,367	\$
Accounts Payable	4,195,846	
Salary and Payroll Taxes Payable	2,022,637	
Retainage Payable	1,474,466	
Due to Other Governmental Agencies	25,714	
Due to College		36,518
Deferred Revenue	13,275	
Estimated Claims Payable	1,895,314	
Deposits Held for Others	2,950,122	
Long-Term Liabilities - Current Portion:		
Bonds Payable	555,000	
Note Payable	1,311,498	
Compensated Absences Payable	1,600,000	
Total Current Liabilities	<u>26,674,239</u>	<u>36,518</u>
Noncurrent Liabilities:		
Bonds Payable	4,920,000	
Note Payable	1,939,647	
Special Termination Benefits Payable	293,139	
Compensated Absences Payable	12,471,022	
Other Postemployment Benefits Payable	1,702,024	
Total Noncurrent Liabilities	<u>21,325,832</u>	
TOTAL LIABILITIES	<u>48,000,071</u>	<u>36,518</u>

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010**

	<u>College</u>	<u>Component Unit</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 210,767,404	\$
Restricted:		
Nonexpendable:		
Endowments		22,556,420
Expendable:		
Grants and Other	5,627,280	5,237,058
Endowments	5,688,084	
Capital Projects	34,091,521	
Debt Service	120,203	
Unrestricted	<u>23,603,211</u>	<u>1,823,633</u>
Total Net Assets	<u>279,897,703</u>	<u>29,617,111</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 327,897,774</u>	<u>\$ 29,653,629</u>

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$28,070,313	\$ 50,030,666	\$
Federal Grants and Contracts	7,224,555	
State and Local Grants and Contracts	2,705,014	
Nongovernmental Grants and Contracts	451,017	
Sales and Services of Educational Departments	1,489,157	
Auxiliary Enterprises	1,508,844	4,984,958
Other Operating Revenues	921,966	2,735,750
Total Operating Revenues	64,331,219	7,720,708
EXPENSES		
Operating Expenses:		
Personnel Services	111,202,250	656,001
Scholarships and Waivers	29,927,343	1,164,453
Utilities and Communications	6,819,755	
Contractual Services	24,503,034	4,967,216
Other Services and Expenses	5,913,320	978,770
Materials and Supplies	18,771,959	398,550
Depreciation	9,331,626	
Total Operating Expenses	206,469,287	8,164,990
Operating Loss	(142,138,068)	(444,282)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	70,408,368	
Gifts and Grants	59,907,999	
Investment Income	2,963,873	3,868,224
Other Nonoperating Revenues	40,842	
Interest on Capital Asset-Related Debt	(440,279)	
Net Nonoperating Revenues	132,880,803	3,868,224
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(9,257,265)	3,423,942
Capital Appropriations	6,104,820	
Capital Grants, Contracts, Gifts, and Fees	4,891,075	
Additions to Permanent Endowments		255,967
Total Other Revenues	10,995,895	255,967
Increase in Net Assets	1,738,630	3,679,909
Net Assets, Beginning of Year	278,159,073	25,937,202
Net Assets, End of Year	\$ 279,897,703	\$ 29,617,111

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

FLORIDA STATE STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 48,854,951
Grants and Contracts	7,803,068
Payments to Suppliers	(49,163,249)
Payments for Utilities and Communications	(6,819,755)
Payments to Employees	(86,051,689)
Payments for Employee Benefits	(22,908,953)
Payments for Scholarships	(29,927,343)
Net Loans Issued to Students	(71,327)
Auxiliary Enterprises	1,473,076
Sales and Service of Educational Departments	1,489,157
Other Receipts	2,562,749
	(132,759,315)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	70,408,368
Gifts and Grants Received for Other Than Capital or Endowment Purposes	59,907,999
Other Nonoperating Receipts	4,586,495
	134,902,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	19,124,301
Capital Grants and Gifts	4,891,075
Proceeds from Sale of Capital Assets	40,842
Purchases of Capital Assets	(23,194,511)
Principal Paid on Capital Debt and Leases	(1,790,697)
Interest Paid on Capital Debt and Leases	(440,279)
	(1,369,269)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	39,278,314
Investment Income	2,171,591
Purchase of Investments	(46,218,254)
	(4,768,349)
Net Decrease in Cash and Cash Equivalents	(3,994,071)
Cash and Cash Equivalents, Beginning of Year	26,989,268
Cash and Cash Equivalents, End of Year	\$ 22,995,197

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (142,138,068)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,331,626
Changes in Assets and Liabilities:	
Receivables, Net	(3,797,458)
Inventories	2,242
Loans to Students	(71,327)
Accounts and Other Payables	2,703,278
Deferred Revenue	8,458
Deposits Held for Others	477,769
Special Termination Benefits Payable	293,139
Compensated Absences Payable	(106,224)
Other Postemployment Benefits Payable	537,250
NET CASH USED BY OPERATING ACTIVITIES	\$ (132,759,315)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY	
Unrealized gain on investments is recognized as income on the statement of revenues, expenses, and changes in net assets, but is not considered a source of cash for the statement of cash flows.	\$ 715,209

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Florida State College at Jacksonville, 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 Duval and Nassau Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *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 or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity 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 Florida State College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

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 Foundation's financial statements also include the financial activity of its blended component unit, the Florida State College Foundation Real Estate Holding, Inc. (Holding Company). The Holding Company is a subsidiary of the Foundation and was formed exclusively to hold title to certain real property, and to collect and transfer its income to the Foundation in support of the Foundation's mission. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010.

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 the Governmental Accounting Standards Board (GASB). The National Association of College and University

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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:

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related 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'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.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets 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 assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences 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's accounting system identifies the specific amounts paid for tuition and fees from students and third parties (e.g., financial aid, scholarships, etc.). To the extent that third-party resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

At June 30, 2010, the College reported as cash equivalents at fair value \$8,830 of moneys held in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average maturity (WAM) of 46 days as of June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration; 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 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, 2010, are reported at fair value, as follows:

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Investment Type	Debt Service Funds	Endowment Funds	Other College Funds	Total
Debt Securities:				
United States Government Obligations	\$	\$ 346,824	\$ 8,427,485	\$ 8,774,309
Federal Agency Obligations		224,517	27,586,385	27,810,902
Corporate Bonds and Notes		404,970	14,761,733	15,166,703
Total Debt Securities		976,311	50,775,603	51,751,914
Other Investments:				
State Board of Administration Fund B Surplus Funds Trust Fund			426,423	426,423
State Board of Administration Debt Service Accounts	120,203			120,203
Stocks and Other Equity Securities		2,475,491		2,475,491
Money Market Funds		91,186	294,142	385,328
Total Other Investments	120,203	2,566,677	720,565	3,407,445
Total College Investments	\$ 120,203	\$ 3,542,988	\$ 51,496,168	\$ 55,159,359

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, 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. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2010, the College reported investments at fair value of \$426,423 for amounts held in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$120,203 at June 30, 2010, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Debt Securities and Other Investments

The following risks apply to the College's debt securities and other investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investments to a maximum average duration of the portfolio to no greater than 125 percent of the target benchmark's average duration. The policy also provides that the maximum effective maturity of an individual security will not be greater than five years, and the maximum average life of the portfolio will not be greater than three years. At June 30, 2010, the College had \$36,585,211 in obligations of the United States government and its agencies, with various call dates with final maturity dates between October 2010 and September 2037, having a weighted-average maturity of 4.05 years for endowment funds and 2.21 years for other College funds. Also, at June 30, 2010, the College had \$15,166,703 in corporate securities, with various call dates with final maturity dates between July 2010 and July 2019, with weighted-average maturities of 5.58 years for endowment funds and 2.25 years for other College funds. For the \$385,328 in money markets funds, the average maturity was 44 days for endowment funds and 15 days for other College funds. The overall weighted-average life of the other College fund's portfolio was 2.43 years as of June 30, 2010.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury bills, notes, bonds, strips and other obligations whose principal and interest is fully guaranteed by the United States of America, any of its agencies or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board and all other government sponsored agencies and enterprises.
- Repurchase agreements that are collateralized by United States Treasury securities at 102 percent of cost.
- Certificates of deposit in State-certified qualified public depositories.
- Mortgage-backed securities guaranteed by the U.S. Government or a Federal agency.
- Money market funds, including, but not limited to, commercial paper, time deposits and bankers' acceptances, rated at least "A1/P1" or the equivalent by Standard & Poor's, Moody's, and all other nationally recognized credit rating organizations.
- Corporate bonds and notes with at least an "A" rating.
- Money market funds registered with the Securities and Exchange Commission and only invested in securities with the highest credit quality rating from a nationally recognized rating company.

FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

- Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, which maintains a similar investment objective.

United States government obligations are not considered to have credit risk. As of June 30, 2010, the College's investments in Federal agency obligations (Government Sponsored Enterprises) are rated AAA by Standard & Poor's. Corporate debt securities have average credit quality ratings by Standard & Poor's of A- for endowment funds and AA- for other College funds.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book-entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's \$36,585,211 of investments in obligations of the United States government agencies and instrumentalities, and \$15,166,703 in corporate debt securities, are held by the safekeeping agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy provides that a maximum of five percent of the portfolio may be invested in securities of a single issuer. United States government and government agency-backed securities are not subject to this limitation.

Component Unit Investments

Investments held by the Foundation at June 30, 2010, are reported at fair value as follows:

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Investment Type	Fair Value	Weighted Average Life	Effective Duration	Average Credit Quality
Equities	\$ 16,323,092	(1)	(1)	(1)
Sawgrass Fixed Income Fund	5,183,169	2.4 years	2.3 years	AAA**
Commonfund Fixed Income Fund	4,960,696	6.6 years	3.5 years	AA**
Limited Partnerships	923,802	(1)	(1)	(1)
Commonfund Commodities Fund	893,746	1.3 years	0.15 years	AA**
Real Property	55,000	(1)	(1)	(1)
Money Market Fund	31,456	(2)	(2)	AAAm**
Artwork	23,675	(1)	(1)	(1)
Total Investments	\$ 28,394,636			

Note: (1) Disclosure of maturity, duration and credit quality risk is not required for these investment types.

(2) Less than 30 days.

** Rating by Standard & Poor's

Interest Rate Risk: The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects.

Credit Risk: The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade.

Custodial Credit Risk: The Foundation's investment policy does not address custodial credit risk.

Concentration of Credit Risk: The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed five percent of the total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

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 \$401,953 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program of \$188,028. Notes receivable are reported net of a \$39,274 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$13,596,317 of Public Education Capital Outlay and \$7,300,000 of College Facility Enhancement Challenge Grant allocations due from the State for construction of College facilities and may not be entirely collected within one year.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

6. INVENTORIES

Inventories consist of consumable materials and supplies of \$78,801 at the Central Stores Warehouse, and are valued using the average cost method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 8,217,504	\$	\$	\$ 8,217,504
Capitalized Collections	15,000			15,000
Construction in Progress	22,057,022	23,160,321	24,851,497	20,365,846
Total Nondepreciable Capital Assets	\$ 30,289,526	\$ 23,160,321	\$ 24,851,497	\$ 28,598,350
Depreciable Capital Assets:				
Buildings	\$ 256,506,266	\$ 24,851,497	\$	\$ 281,357,763
Other Structures and Improvements	3,357,408			3,357,408
Furniture, Machinery, and Equipment	25,453,697	1,310,631	795,326	25,969,002
Total Depreciable Capital Assets	285,317,371	26,162,128	795,326	310,684,173
Less, Accumulated Depreciation:				
Buildings	87,085,767	7,033,944		94,119,711
Other Structures and Improvements	2,510,947	124,442		2,635,389
Furniture, Machinery, and Equipment	21,637,499	2,173,240	776,865	23,033,874
Total Accumulated Depreciation	111,234,213	9,331,626	776,865	119,788,974
Total Depreciable Capital Assets, Net	\$ 174,083,158	\$ 16,830,502	\$ 18,461	\$ 190,895,199

8. TEMPORARY CASH OVERDRAFT

The College maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the College's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2010. This did not, however, represent an overdraft in the College's depository account.

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, note payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 6,000,000	\$	\$ 525,000	\$ 5,475,000	\$ 555,000
Note Payable	4,516,842		1,265,697	3,251,145	1,311,498
Special Termination Benefits Payable		293,139		293,139	
Compensated Absences Payable	14,177,246	1,393,203	1,499,427	14,071,022	1,600,000
Other Postemployment Benefits Payable	1,164,774	919,058	381,808	1,702,024	
Total Long-Term Liabilities	\$ 25,858,862	\$ 2,605,400	\$ 3,671,932	\$ 24,792,330	\$ 3,466,498

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005B, Refunding	<u>\$ 5,475,000</u>	5	2018

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 555,000	\$ 273,750	\$ 828,750
2012	585,000	246,000	831,000
2013	620,000	216,750	836,750
2014	655,000	185,750	840,750
2015	695,000	153,000	848,000
2016-2018	2,365,000	241,500	2,606,500
Total	\$ 5,475,000	\$ 1,316,750	\$ 6,791,750

Note Payable. Section 1009.23(12), Florida Statutes, provides that parking fee revenue may be pledged by a college board of trustees as a dedicated revenue source for the repayment of debt. During the 2005-06 fiscal year, the College entered into an agreement with a commercial bank to borrow \$8.7 million, at a stated interest rate of 3.56 percent, to construct a parking garage at the Deerwood Center for which final payment will be made during the 2012-13 fiscal year. Annual requirements to amortize the note payable outstanding at June 30, 2010, are as follows:

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Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 1,311,498	\$ 94,477	\$ 1,405,975
2012	1,358,957	47,018	1,405,975
2013	580,690	5,133	585,823
Total	\$ 3,251,145	\$ 146,628	\$ 3,397,773

Special Termination Benefits Payable. Effective July 1, 2004, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. The plan provides that once certain eligibility guidelines are met, benefit day credits of one-half to one full day are accrued for each month of service payable at various percentages in conjunction with the employee's daily rate of pay at the time of separation. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College, and must be paid as a one-time lump-sum payment. At June 30, 2010, a liability for accrued plan benefits of \$293,139 for 12 employees was reported by the College as Special Termination Benefits Payable.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State 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, 2010, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$14,071,022. Of this amount, \$1.6 million is considered to be a current liability expected to be paid in the coming fiscal year, and represents the College's estimate of leave payments plus benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2010-11 fiscal year based on an average of actual payments over the previous several years.

Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment benefits administered by the College.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the College's self-insured health insurance program for medical and prescription drug coverage. 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

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are eligible. The College did not 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. The College has established contribution requirements, which may be amended through recommendations of the Insurance Committee and actions from the Board. Benefits under the Plan are pursuant to provisions of Section 112.0801, Florida Statutes and may be amended by the Board of Trustees. 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 2009-10 fiscal year, 133 retirees received other postemployment benefits. The College provided required contributions of \$381,808 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$936,706.

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 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)	\$ 523,147
Amortization of Unfunded Actuarial Accrued Liability	355,764
Interest on Normal Cost and Amortization	<u>35,156</u>
Annual Required Contribution	914,067
Interest on Net OPEB Obligation	46,591
Adjustment to Annual Required Contribution	<u>(41,600)</u>
Annual OPEB Cost (Expense)	919,058
Contribution Toward the OPEB Cost	<u>(381,808)</u>
Increase in Net OPEB Obligation	537,250
Net OPEB Obligation, Beginning of Year	<u>1,164,774</u>
Net OPEB Obligation, End of Year	<u>\$ 1,702,024</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

**FLORIDA STATE COLLEGE AT JACKSONVILLE
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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	902,799	51.5%	438,288
2008-09	955,687	24.0%	1,164,774
2009-10	919,058	41.5%	1,702,024

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$9,798,279, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$9,798,279 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$60,890,371 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.1 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, 2009, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College’s 2009-10 fiscal year ARC. This method is commonly used for government pension valuation and spreads costs evenly throughout the collective careers of those in the covered workforce. 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 3.5 percent per year, and an annual healthcare cost trend rate of 11 percent initially for the 2009-10 fiscal year, reduced by 1.0 percent for the first year, then 0.5 percent per year thereafter, to an ultimate rate of 5.5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 years.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 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. 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), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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 and 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.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

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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, 2008, June 30, 2009, and June 30, 2010, totaled \$4,719,509, \$4,745,767, and \$4,242,868, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer 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 PEORP vest at one year of service. There were 122 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$761,390.

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. 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 Department of Management Services, Division of Retirement.

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 six 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, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 187 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$1,135,646.

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JUNE 30, 2010**

11. SENIOR MANAGEMENT SERVICE CLASS LOCAL ANNUITY PROGRAM

Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for Florida Retirement System, Senior Management Service Class may elect to withdraw from the Florida Retirement System (FRS) altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College established a Senior Management Service Class Local Annuity Program (Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than the FRS. Under the program, the College contributes the same percentage of the participant’s salary as would have been contributed to the FRS, for the Senior Management Service Optional Annuity Program toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2010, eight employees had opted to participate in the Program. Contributions made by the College to the program totaled \$170,395 during the 2009-10 fiscal year.

12. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2010, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Cecil Center - Aircraft Coating Educational Facility:			
General Contractor	\$ 16,733,505	\$ 10,984,809	\$ 5,748,696
Architect	618,472	603,827	14,645
South Campus - Fire Training Burn Ship:			
General Contractor	3,041,861	1,790,513	1,251,348
Architect	596,683	478,207	118,476
Academic Skills Centers:			
General Contractor	2,827,696	2,070,263	757,433
Architect	328,945	306,067	22,878
Deerwood Center - Backfill Classroom:			
General Contractor	2,047,562	1,699,948	347,614
Architect	288,291	278,746	9,545
South Campus - Safety Lighting OSI:			
General Contractor	2,161,894	1,425,448	736,446
Total	\$28,644,909	\$19,637,828	\$9,007,081

13. 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 through a self-insured program and commercially purchased insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College’s liability was limited by excess reinsurance to \$300,000 per insured person per year with an aggregate medical claim

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

cap of \$12.7 million for the calendar year 2010. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claims liabilities depend upon such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liabilities does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled \$1,630,001 as of June 30, 2010.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2008-09	\$ 2,335,696	\$ 9,314,435	\$(10,171,554)	\$ 1,478,577
2009-10	1,478,577	10,917,400	(10,765,976)	1,630,001

The Board has established an individual self-insured program to provide workers’ compensation coverage for its employees. The College’s liability was limited by excess reinsurance to \$350,000 per occurrence for the 2009-10 fiscal year. The program administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of \$265,313 discounted at a rate of three percent, at June 30, 2010.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2008-09	\$ 210,268	\$ 69,142	\$ (106,677)	\$ 172,733
2009-10	172,733	252,595	(160,015)	265,313

Settled claims arising from the risks associated with the self-insured programs have not exceeded coverage in any of the past three fiscal years.

Commercially Purchased Insurance. The College’s insurance coverages for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability were obtained through commercially purchased

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JUNE 30, 2010**

insurance. The College has also designated net assets of \$4 million in recognition of its two percent wind and hail property damage deductible in the event of major storm damage.

Settled claims arising from these risks have not exceeded coverage in any of the past three fiscal years.

14. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 61,222,419
Education Enhancement Trust Fund (Lottery)	8,637,290
Gross Receipts Tax (Public Education Capital Outlay)	4,827,874
Florida Student Assistance Grants	4,697,606
Bright Futures Scholarship Program	3,638,515
Restricted Contracts and Grants	1,452,299
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,250,000
Total	\$ 85,726,003

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

**FLORIDA STATE COLLEGE AT JACKSONVILLE
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JUNE 30, 2010**

the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

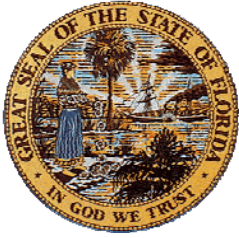
<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 73,375,470
Public Services	1,761,808
Academic Support	22,013,211
Student Services	16,565,662
Institutional Support	23,411,890
Operation and Maintenance of Plant	29,090,491
Scholarships and Fellowships	30,919,129
Depreciation	9,331,626
Total Operating Expenses	\$ 206,469,287

16. RELATED PARTY TRANSACTION

The College entered into an agreement with the Florida State College Foundation, Inc., to serve as the contracting agent and execute performance agreements for the FSCJ Artist Series, a co-sponsored program of the College and the Foundation that provides a wide variety of cultural events (theatre productions, concerts, etc.). The agreement was effective for the 2009-10 fiscal year and provided, in part, for the Foundation to reimburse the College \$750,000 from the Artist Series surplus as reimbursement for salaries, benefits, and administrative costs paid by the College, except that the College reserved the right to waive the reimbursement in part or whole in the best interest of the College. On June 1, 2010, the Board of Trustees approved waiving reimbursement for \$824,604 in Artist Series expenses incurred by the College, and the College elected to not bill the Foundation for \$699,411 in other Foundation support expenses. As a result of these transactions, the College provided in-kind contributions to the Foundation, totaling \$1,524,015 to support Foundation scholarship activities.

**FLORIDA STATE COLLEGE AT JACKSONVILLE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry-Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 10,585,442	\$ 10,585,442	0%	\$ 57,986,868	18.3%
7/1/2009	\$	\$ 9,798,279	\$ 9,798,279	0%	\$ 60,890,371	16.1%



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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*

We have audited the financial statements of Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors 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, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 21, 2011