

GULF COAST STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Ralph C. Roberson, Chair from 7-25-13	Gulf
Leah O. Dunn, Vice Chair from 7-25-13	Bay
Denise D. Butler to 1-16-14, Chair to 7-24-13 (1)	Franklin
Dan A. Estes to 1-16-14, Vice Chair to 7-24-13 (2)	Bay
Donald Crisp from 2-7-14	Bay
Karen L. Durden to 7-25-13 (3)	Bay
Elizabeth Kirvin from 2-7-14	Franklin
James W. McKnight	Gulf
Steve D. Millaway from 2-7-14	Bay
Katie L. Patronis	Bay
Joe K. Tannehill, Jr.	Bay
David P. Warriner	Gulf

Dr. Jim Kerley, President

- Notes: (1) Board member served beyond the end of term, May 31, 2012, until January 16, 2014, and position remained vacant until February 6, 2014.
- (2) Board member served beyond the end of term, May 31, 2013, until January 16, 2014, and position remained vacant until February 6, 2014.
- (3) Board member served beyond the end of term, May 31, 2013, until resigned on July 25, 2013, and position remained vacant until February 6, 2014.

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

The audit team leader was Melissa F. Hall, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

GULF COAST STATE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

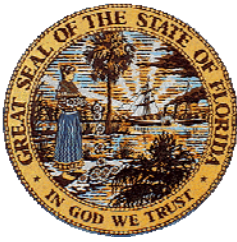
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

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

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

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gulf Coast State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Gulf Coast State College and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Gulf Coast State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulf Coast State College's internal control over financial reporting and compliance.

Respectfully submitted,



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

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

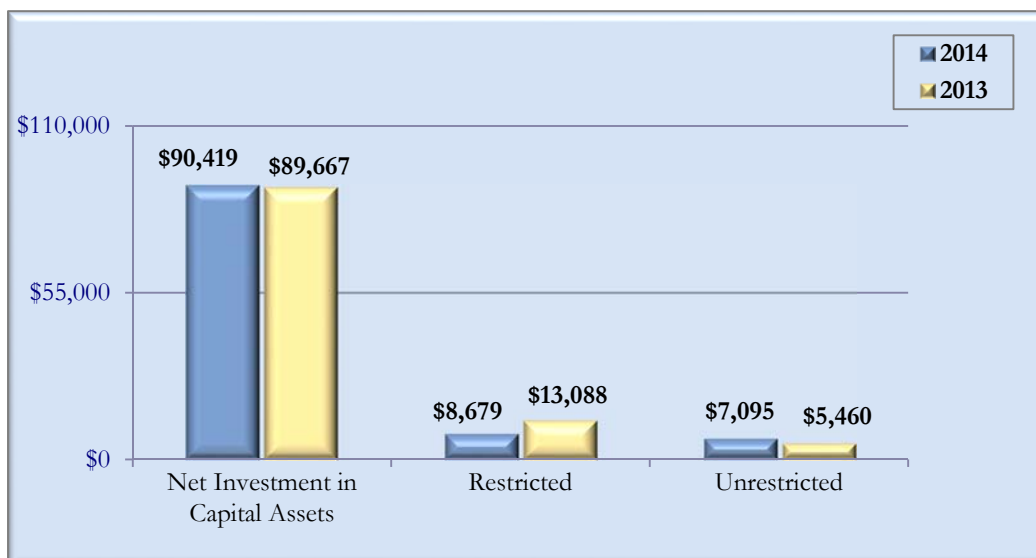
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$117.6 million at June 30, 2014. This balance reflects a \$5.3 million, or 4.3 percent, decrease as compared to the 2012-13 fiscal year, resulting from primarily a decrease in receivables from other governmental agencies, offset by increase in cash and cash equivalents. Liabilities decreased by \$3.2 million, or 22 percent, totaling \$11.4 million at June 30, 2014, as compared to \$14.7 million at June 30, 2013. As a result, the College’s net position decreased by \$2 million, resulting in a year-end balance of \$106.2 million.

The College’s operating revenues totaled \$11.5 million for the 2013-14 fiscal year, representing a 4.2 percent decrease as compared to the 2012-13 fiscal year due primarily to a decrease in nongovernmental grant and contracts related to private grants and contracts and Foundation scholarships. Operating expenses totaled \$48.9 million for the 2013-14 fiscal year, representing a decrease of 2.9 percent as compared to the 2012-13 fiscal year due mainly to a decrease in material and supplies resulting from the previous fiscal year noncapitalized repairs for reroofing projects.

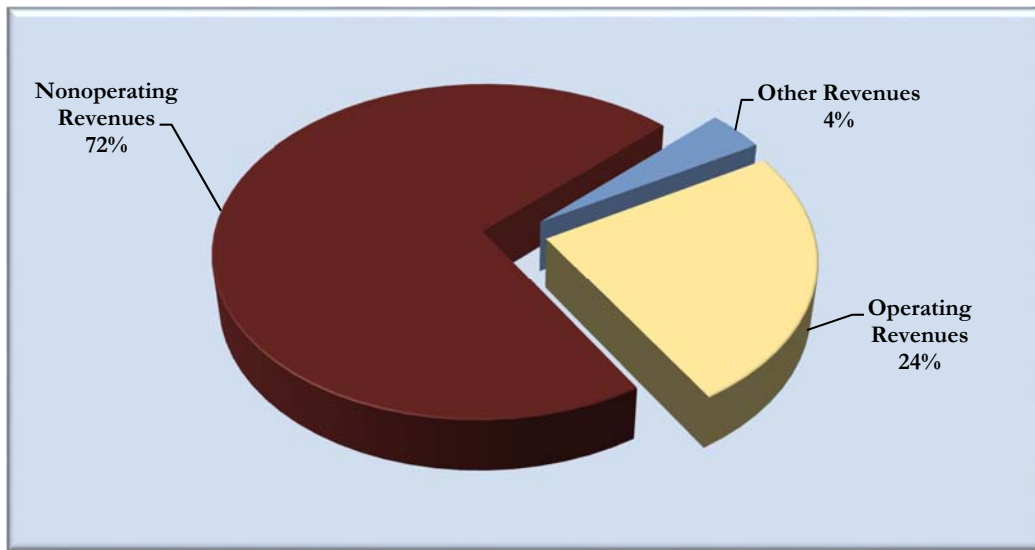
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

- Gulf Coast State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Gulf Coast State College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET POSITION

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Assets				
Current Assets	\$ 11,716	\$ 20,504	\$ 30,158	\$ 8,338
Capital Assets, Net	96,169	95,777	1	2
Other Noncurrent Assets	9,747	6,608	47	18,437
Total Assets	117,632	122,889	30,206	26,777
Liabilities				
Current Liabilities	1,520	4,354	74	144
Noncurrent Liabilities	9,919	10,320		
Total Liabilities	11,439	14,674	74	144
Net Position				
Net Investment in Capital Assets	90,419	89,667		
Restricted	8,679	13,088	30,132	26,633
Unrestricted	7,095	5,460		
Total Net Position	\$ 106,193	\$ 108,215	\$ 30,132	\$ 26,633

Total assets decreased by \$5.3 million and total net position decreased by \$2 million in the 2013-14 fiscal year. The decrease in total assets was primarily the results of a decrease of \$9.7 million in amounts due from other governmental agencies, offset by a \$3.4 million increase in cash and cash equivalents. Total liabilities also decreased by \$3.2 million, primarily the result of decreases in retainage payable of \$2 million, deposits held in custody of \$576 thousand, and bonds payable of \$360 thousand. The net effect of the decrease in assets coupled with the decrease in liabilities resulted in a decrease of \$2 million in total net position.

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

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Operating Revenues	\$ 11,469	\$ 11,975	\$ 914	\$ 1,081
Less, Operating Expenses	48,869	50,346	1,730	2,649
Operating Loss	(37,400)	(38,371)	(816)	(1,568)
Net Nonoperating Revenues	33,572	37,955	4,315	3,157
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,828)	(416)	3,499	1,589
Other Revenues	1,806	3,201		
Net Increase (Decrease) In Net Position	(2,022)	2,785	3,499	1,589
Net Position, Beginning of Year	108,215	105,430	26,633	25,044
Net Position, End of Year	<u>\$ 106,193</u>	<u>\$ 108,215</u>	<u>\$ 30,132</u>	<u>\$ 26,633</u>

Operating Revenues

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

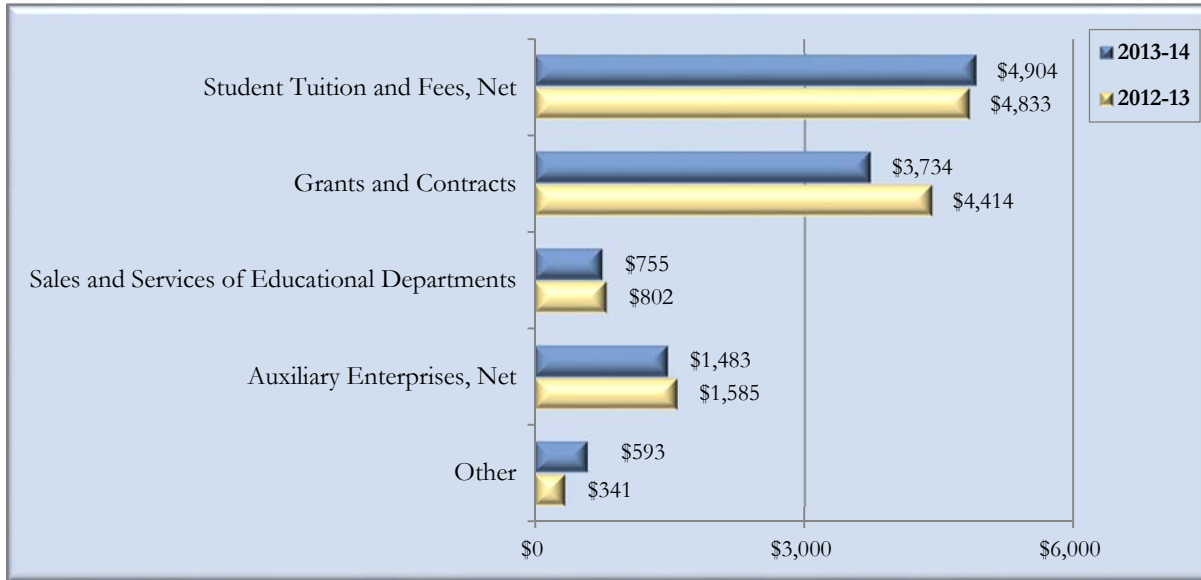
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Student Tuition and Fees, Net	\$ 4,904	\$ 4,833	\$	\$
Grants and Contracts	3,734	4,414		
Sales and Services of Educational Departments	755	802		
Auxiliary Enterprises, Net	1,483	1,585		
Other	593	341	914	1,081
Total Operating Revenues	<u>\$ 11,469</u>	<u>\$ 11,975</u>	<u>\$ 914</u>	<u>\$ 1,081</u>

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

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



College operating revenue changes were primarily the result of a decrease in grants and contracts related to private grants and Foundation scholarships.

Operating Expenses

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

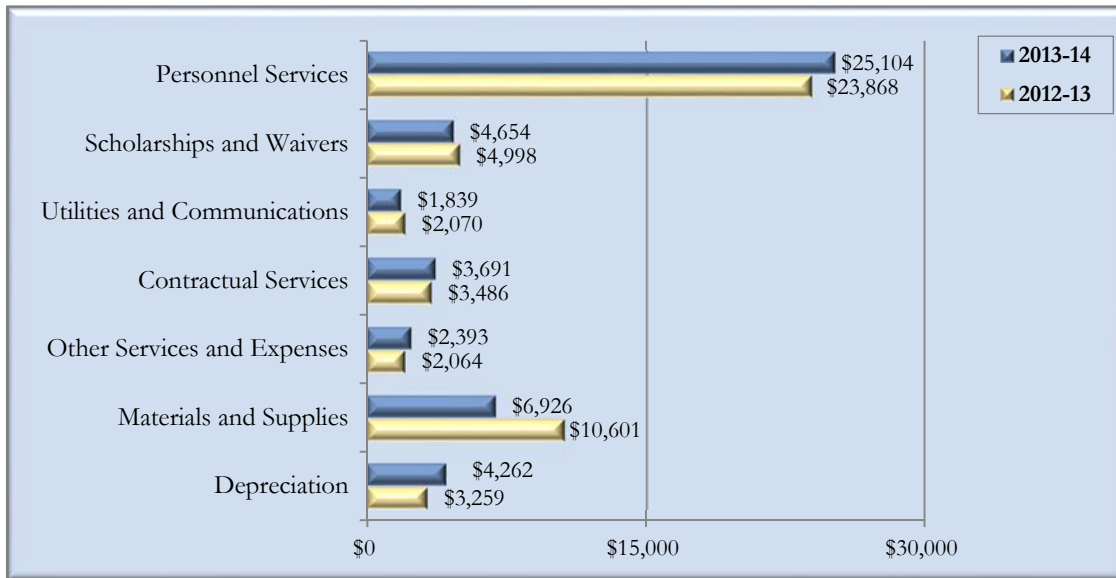
The following summarizes operating expenses by natural classification for the College and its component unit for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Personnel Services	\$ 25,104	\$ 23,868	\$	\$
Scholarships and Waivers	4,654	4,998	805	783
Utilities and Communications	1,839	2,070		
Contractual Services	3,691	3,486		
Other Services and Expenses	2,393	2,064	925	1,866
Materials and Supplies	6,926	10,601		
Depreciation	4,262	3,259		
Total Operating Expenses	\$ 48,869	\$ 50,346	\$ 1,730	\$ 2,649

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

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



College operating expense decreased by \$1.5 million, or 2.9 percent, primarily as a result of the following factors:

- Materials and supplies expenses decreased by \$3.7 million, or 34.7 percent, due in part to a decrease in noncapitalized repairs for reroofing projects.
- Personnel services expenses increased by \$1.2 million, or 5.2 percent, mainly due to an increase in retirement contributions.
- Depreciation expenses increased by \$1 million, or 30.8 percent, due primarily to the completion of the Advanced Technology Center.

Nonoperating Revenues and Expenses

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

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

	2013-14	2012-13
State Noncapital Appropriations	\$ 21,774	\$ 21,221
Federal and State Student Financial Aid	11,976	12,378
Investment Income	72	92
Net Gain (Loss) on Disposal of Capital Assets	(90)	4,542
Interest on Capital Asset-Related Debt	(160)	(278)
Net Nonoperating Revenues	\$ 33,572	\$ 37,955

When compared to the prior fiscal year, College net nonoperating revenue decreased by \$4.4 million, or 11.5 percent. This decrease is primarily the result of a decrease in the net gain on disposal of capital assets of \$4.6 million, partially offset by an increase in State noncapital appropriations of \$553 thousand.

Other Revenues, Expenses, Gains, or Losses

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

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 534	\$ 784
Capital Grants, Contracts, Gifts, and Fees	<u>1,272</u>	<u>2,417</u>
Total	<u>\$ 1,806</u>	<u>\$ 3,201</u>

College other revenues decreased as a result of a decrease in capital grants, contracts, gifts, and other fees due to a donation from the College's Foundation for the Advanced Technology Center in the previous fiscal year.

THE STATEMENT OF CASH FLOWS

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

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

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

	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (32,329)	\$ (35,729)
Noncapital Financing Activities	34,496	32,854
Capital and Related Financing Activities	1,134	8,836
Investing Activities	<u>87</u>	<u>107</u>
Net Increase in Cash and Cash Equivalents	3,388	6,068
Cash and Cash Equivalents, Beginning of Year	<u>14,100</u>	<u>8,032</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,488</u>	<u>\$ 14,100</u>

Major sources of cash inflows came from State noncapital appropriations (\$21.8 million), Federal and State student financial aid (\$12 million), Federal Direct Student Loan Program receipts (\$5.8 million), grants and contracts (\$5.8 million), proceeds from sale of capital assets (\$5.3 million), net student tuition and fees (\$4.2 million), and State

capital appropriations (\$2.2 million). Major cash outflows were for payments to employees and for employee benefits (\$25 million), payments to suppliers (\$13 million), purchases of capital assets (\$6.9 million), disbursements to students for Federal Direct Student Loans (\$5.1 million), and payments for scholarships (\$4.7 million). The increase in cash and cash equivalents was the result of a receipt of a significant due from State receivable related to the 2012-13 fiscal year.

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

CAPITAL ASSETS

At June 30, 2014, the College had \$141.5 million in capital assets, less accumulated depreciation of \$45.3 million, for net capital assets of \$96.2 million. Depreciation charges for the current fiscal year totaled \$4.3 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,809	\$ 3,809
Construction in Progress	90	34,887
Buildings	88,448	53,646
Other Structures and Improvements	1,824	2,199
Furniture, Machinery, and Equipment	<u>1,998</u>	<u>1,236</u>
Capital Assets, Net	<u>\$ 96,169</u>	<u>\$ 95,777</u>

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2014, were incurred for the Advance Technology Center and STEM Education Center project. The College’s construction commitments at June 30, 2014, are as follows:

	<u>Amount (In Thousands)</u>
Total Committed	\$ 1,203
Completed to Date	<u>91</u>
Balance Committed	<u>\$ 1,112</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$8 million in outstanding bonds and note payable, representing a decrease of \$619 thousand, or 7.2 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

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

	2014	2013
SBE Capital Outlay Bonds	\$ 375	\$ 490
Florida Department of Education:		
Capital Improvement Revenue Bonds	5,375	5,620
Note Payable	2,284	2,543
Total	\$ 8,034	\$ 8,653

The State Board of Education (SBE) and Florida Department of Education issue capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, there were no bond sales and debt repayments totaled \$619 thousand. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. The College's current financial and capital plans indicate that the financial resources from State funding will allow it to continue at the present level of service without a tuition increase for the 2014-15 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to John Mercer, Vice President of Administration and Finance, Gulf Coast State College, 5230 West Highway 98, Panama City, Florida 32401.

BASIC FINANCIAL STATEMENTS

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

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,021,482	\$ 462,123
Restricted Cash and Cash Equivalents	1,196,307	
Restricted Investments		29,682,936
Accounts Receivable, Net	1,164,998	3,500
Notes Receivable, Net	58,887	
Due from Other Governmental Agencies	578,440	
Inventories	1,225,378	
Prepaid Expenses	352,288	
Other Assets	118,401	9,502
Total Current Assets	11,716,181	30,158,061
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,270,391	
Restricted Investments	476,861	47,687
Depreciable Capital Assets, Net	92,269,768	734
Nondepreciable Capital Assets	3,899,258	
Total Noncurrent Assets	105,916,278	48,421
TOTAL ASSETS	117,632,459	30,206,482
LIABILITIES		
Current Liabilities:		
Accounts Payable	540,787	74,072
Salary and Payroll Taxes Payable	98,241	
Deposits Held for Others	168,752	
Long-Term Liabilities - Current Portion:		
Bonds Payable	375,000	
Note Payable	262,040	
Compensated Absences Payable	75,464	
Total Current Liabilities	1,520,284	74,072
Noncurrent Liabilities:		
Bonds Payable	5,375,000	
Note Payable	2,021,574	
Compensated Absences Payable	2,292,459	
Other Postemployment Benefits Payable	230,380	
Total Noncurrent Liabilities	9,919,413	
TOTAL LIABILITIES	11,439,697	74,072

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

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 90,419,026	\$
Restricted:		
Nonexpendable:		
Endowment		12,533,585
Expendable:		
Grants and Loans	1,038,714	
Scholarships and Other Educational Purposes	42,028	17,598,822
Capital Projects	7,587,713	
Debt Service	9,980	
Unrestricted	7,095,301	3
TOTAL NET POSITION	\$ 106,192,762	\$ 30,132,410

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

GULF COAST STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,715,749	\$ 4,903,655	\$
Federal Grants and Contracts	2,796,786	
State and Local Grants and Contracts	487,393	
Nongovernmental Grants and Contracts	449,755	
Sales and Services of Educational Departments	755,364	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,256,657	1,483,065	
Other Operating Revenues	593,274	914,605
Total Operating Revenues	11,469,292	914,605
EXPENSES		
Operating Expenses:		
Personnel Services	25,104,341	
Scholarships and Waivers	4,653,786	805,198
Utilities and Communications	1,839,470	
Contractual Services	3,690,990	
Other Services and Expenses	2,393,050	925,153
Materials and Supplies	6,925,755	
Depreciation	4,262,423	
Total Operating Expenses	48,869,815	1,730,351
Operating Loss	(37,400,523)	(815,746)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	21,773,593	
Federal and State Student Financial Aid	11,976,532	
Investment Income	71,835	4,314,905
Loss on Disposal of Capital Assets	(89,631)	
Interest on Capital Asset-Related Debt	(160,155)	
Net Nonoperating Revenues	33,572,174	4,314,905
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,828,349)	3,499,159
State Capital Appropriations	534,112	
Capital Grants, Contracts, Gifts, and Fees	1,271,514	
Total Other Revenues	1,805,626	
Increase (Decrease) in Net Position	(2,022,723)	3,499,159
Net Position, Beginning of Year	108,215,485	26,633,251
Net Position, End of Year	\$ 106,192,762	\$ 30,132,410

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 4,232,146
Grants and Contracts	5,753,658
Payments to Suppliers	(13,032,079)
Payments for Utilities and Communications	(1,839,470)
Payments to Employees	(20,917,356)
Payments for Employee Benefits	(4,107,580)
Payments for Scholarships	(4,653,786)
Loans Issued to Students	(265,844)
Collection on Loans to Students	245,069
Auxiliary Enterprises, Net	1,483,065
Sales and Service of Educational Departments	755,364
Other Receipts	17,491
	(32,329,322)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	21,773,593
Federal and State Student Financial Aid	11,976,532
Federal Direct Loan Program Receipts	5,821,870
Federal Direct Loan Program Disbursements	(5,075,950)
	34,496,045
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,209,434
Capital Grants and Gifts	1,271,514
Proceeds from Sale of Capital Assets	5,339,200
Purchases of Capital Assets	(6,906,060)
Principal Paid on Capital Debt	(619,409)
Interest Paid on Capital Debt	(160,155)
	1,134,524
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	15,284
Investment Income	71,835
	87,119
Net Increase in Cash and Cash Equivalents	3,388,366
Cash and Cash Equivalents, Beginning of Year	14,099,814
	\$ 17,488,180

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (37,400,523)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,262,423
Changes in Assets and Liabilities:	
Accounts Receivables, Net	(613,770)
Due from Other Governmental Agencies	1,987,343
Inventories	(52,542)
Prepaid Expenses and Other Assets	(39,286)
Note Receivable, Net	(20,775)
Accounts Payable	70,635
Salaries and Payroll Taxes Payable	(176,905)
Unearned Revenue	(26,449)
Deposits Held for Others	(575,783)
Compensated Absences Payable	185,895
Other Postemployment Benefits Payable	70,415
NET CASH USED BY OPERATING ACTIVITIES	\$ (32,329,322)
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (89,631)

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

GULF COAST STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Gulf Coast State College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Bay, Franklin, and Gulf Counties.

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

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

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

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

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

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the 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. To the extent that these resources are used to pay student

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

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

At June 30, 2014, the College reported as cash equivalents at fair value \$4,592,458 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents \$8,357,059 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; 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

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

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 bonds payable, note 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 (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law.

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

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

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 1,022
State Board of Administration Debt Service Accounts	<u>475,839</u>
Total College Investments	<u>\$ 476,861</u>

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

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

percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College reported investments at fair value of \$1,022 in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College’s investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments totaling \$475,839 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Unit Investments

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

Common Fund	\$ 29,682,936
Investment in Real Property	<u>47,687</u>
Total Component Unit Investments	<u>\$ 29,730,623</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$547,691 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of a \$31,359 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$454,245 for grants and contracts allocations due from the State for operating costs of several grant funded projects.

6. INVENTORIES

Inventories consist of items for resale by the campus bookstore, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching

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

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, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,808,643	\$	\$	\$ 3,808,643
Construction in Progress	34,887,510	3,072,745	37,869,640	90,615
Total Nondepreciable Capital Assets	\$ 38,696,153	\$ 3,072,745	\$ 37,869,640	\$ 3,899,258
Depreciable Capital Assets:				
Buildings	\$ 84,606,932	\$ 37,869,640	\$ 1,792,623	\$ 120,683,949
Other Structures and Improvements	6,585,043			6,585,043
Furniture, Machinery, and Equipment	8,841,907	1,671,076	200,988	10,311,995
Total Depreciable Capital Assets	100,033,882	39,540,716	1,993,611	137,580,987
Less, Accumulated Depreciation:				
Buildings	30,961,189	2,977,848	1,702,993	32,236,044
Other Structures and Improvements	4,386,325	375,230		4,761,555
Furniture, Machinery, and Equipment	7,605,263	909,345	200,988	8,313,620
Total Accumulated Depreciation	42,952,777	4,262,423	1,903,981	45,311,219
Total Depreciable Capital Assets, Net	\$ 57,081,105	\$ 35,278,293	\$ 89,630	\$ 92,269,768

For capital assets partially financed with United States Department of Commerce National Telecommunications and Information Administration (NTIA)/Public Telecommunications Facilities Program (PTFP) grants, the Federal Government requires a ten-year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the fixed asset for the ten-year period (dating from the PTFP’s approval of the final inventory for the grant) in case the College defaults on the terms and conditions of the grant. The capital assets against which the Federal Governmental has a lien are:

Capital Assets	DOC Grant No.	Original Cost	Lien Through
Tower	12-01-N06013	\$ 438,387	2019

8. LONG-TERM LIABILITIES

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 6,110,000	\$	\$ 360,000	\$ 5,750,000	\$ 375,000
Note Payable	2,543,023		259,409	2,283,614	262,040
Compensated Absences Payable	2,182,028	378,154	192,259	2,367,923	75,464
Other Postemployment Benefits Payable	159,965	114,133	43,718	230,380	
Total Long-Term Liabilities	\$ 10,995,016	\$ 492,287	\$ 855,386	\$ 10,631,917	\$ 712,504

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2010A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2010A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2010A bonds. The Series 2010A bonds constitute the third series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2010A bonds will share the lien of such additional bonds on the Series 2010A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and equipment, renovation and remodeling of educational facilities.

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds: Series 2005A Florida Department of Education	\$ 375,000	5	2017
Capital Improvement Revenue Bonds: Series 2010A	<u>5,375,000</u>	3.00 - 4.375	2030
Total	<u>\$ 5,750,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

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

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2015	\$ 375,000	\$ 232,900	\$ 607,900
2016	390,000	219,150	609,150
2017	385,000	204,850	589,850
2018	275,000	188,250	463,250
2019	285,000	177,250	462,250
2020-2024	1,620,000	704,650	2,324,650
2025-2029	1,975,000	351,238	2,326,238
2030	445,000	19,469	464,469
Total	\$ 5,750,000	\$ 2,097,757	\$ 7,847,757

Note Payable. On April 27, 2012, the College signed a promissory note for a line of credit up to \$2,700,000, at a stated interest rate of 1 percent, to finance the Energy Efficiency Project (Project). The College made draws as needed to make payments to the contractor for the Project. The College completed the Project and started making principal payments in May 2013. As of June 30, 2014, the College has drawn \$2,586,054. The note matures on April 27, 2023, and principal and interest payments are made monthly. Annual requirements to amortize the outstanding note as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 262,040	\$ 22,004	\$ 284,044
2016	264,722	19,322	284,044
2017	267,470	16,574	284,044
2018	270,195	13,850	284,045
2019	272,947	11,097	284,044
2020-2023	946,240	16,788	963,028
Total	\$ 2,283,614	\$ 99,635	\$ 2,383,249

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$2,367,923. The current portion of the compensated absences liability, \$75,464, is the amount expected to be paid in the coming fiscal year, and represents an estimate of terminal leave payments for employees anticipating retirement during the next fiscal year.

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

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 54 retirees received other postemployment healthcare benefits and 8 retirees received postemployment life insurance benefits. The College provided required contributions of \$43,718 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$319,578, which represents 1.9 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 72,005
Amortization of Unfunded Actuarial Accrued Liability	<u>41,060</u>
Annual Required Contribution	113,065
Interest on Net OPEB Obligation	6,399
Adjustment to Annual Required Contribution	<u>(5,331)</u>
Annual OPEB Cost (Expense)	114,133
Contribution Toward the OPEB Cost	<u>(43,718)</u>
Increase in Net OPEB Obligation	70,415
Net OPEB Obligation, Beginning of Year	<u>159,965</u>
Net OPEB Obligation, End of Year	<u>\$ 230,380</u>

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

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 84,755	19.7%	\$ 100,585
2012-13	90,163	34.1%	159,965
2013-14	114,133	38.3%	230,380

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$1,231,786 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,231,786 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$16,611,985 at the actuarial valuation date of July 1, 2013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.4 percent.

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

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

The College’s OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College’s 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

GULF COAST STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

9. RETIREMENT PROGRAMS

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

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

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

**GULF COAST STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

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

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$933,190, \$990,166, and \$1,371,565, respectively, which were equal to the required contributions for each fiscal year.

There were 114 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$460,124, which was equal to the required contribution for the 2013-14 fiscal year.

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

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

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

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

account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 25 College participants during the 2013-14 fiscal year. The College’s contributions to the Program totaled \$81,241 and employee contributions totaled \$47,324 for the 2013-14 fiscal year.

10. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
STEM Education Center: Architect	\$ 1,202,756	\$ 90,615	\$ 1,112,141

11. RISK MANAGEMENT PROGRAMS

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

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 16,200,137
Public Services	342,007
Academic Support	2,240,773
Student Services	4,119,353
Institutional Support	6,564,767
Operation and Maintenance of Plant	6,962,346
Scholarships and Waivers	4,923,958
Depreciation	4,262,423
Auxiliary Enterprises	<u>3,254,051</u>
Total Operating Expenses	<u>\$ 48,869,815</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 559,668	\$ 559,668	0%	\$ 15,891,559	3.5%
7/1/2011	-	682,654	682,654	0%	15,678,182	4.4%
7/1/2013	-	1,231,786	1,231,786	0%	16,611,985	7.4%

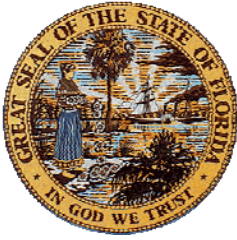
Note: (1) The OPEB actuarial valuation used the projected unit credit method to estimate the actuarial accrued liability.

**GULF COAST STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of \$1,231,786 increased by 80.4 percent from the July 1, 2011, liability of \$682,654 primarily due to:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions of retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.



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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gulf Coast State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 3, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



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