

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

SANTA FE COLLEGE

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2016-17 fiscal year, Dr. Jackson N. Sasser served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

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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 team leader was Philip B. Ciano, CPA, and the audit was supervised by Denita K. Tyre, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Santa Fe College (a component unit of the State of Florida) 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 Santa Fe 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, 2017. 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

We conducted our audit in accordance with 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.



Sherrill F. Norman, CPA
Auditor General

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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 Santa Fe 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, 2017, 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's columns. Those 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 solely 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Santa Fe College and of its discretely presented component unit as of June 30, 2017, 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.

Emphasis of Matter

As discussed in Notes 2. and 3. to the financial statements, the discretely presented component unit adopted new accounting guidance in Governmental Accounting Standards Board Statements No. 72, *Fair Value Measurement and Application* and No. 81, *Irrevocable Split-Interest Agreements*. This matter affects the comparability of amounts reported for the 2016-17 fiscal year with amounts reported for the 2015-16 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension 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 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 and other auditors 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 dated March 13, 2018, on our consideration of the Santa Fe 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 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 the results of that testing, and not to provide an opinion on the effectiveness of 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 the Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017, 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 the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2017, and June 30, 2016, and the College's component unit, the Santa Fe College Foundation, Inc. for the fiscal years ended December 31, 2016, and December 31, 2015. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

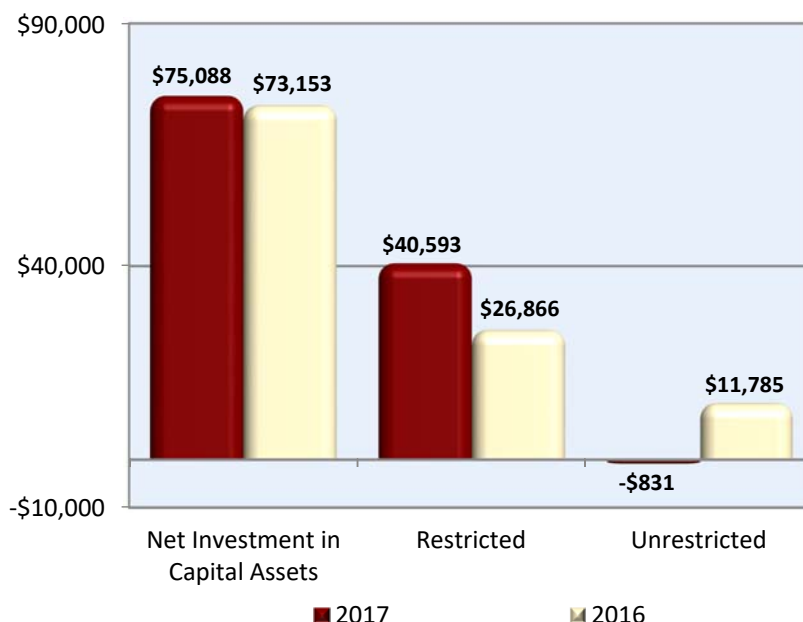
FINANCIAL HIGHLIGHTS

The College's assets totaled \$164.4 million at June 30, 2017. This balance reflects a \$4.9 million, or 3.1 percent, increase as compared to the 2015-16 fiscal year, resulting primarily from an increase in accounts receivable (\$635 thousand); a decrease in the amount due from other governmental agencies (\$114 thousand); an increase in capital assets (\$1.2 million); and an increase in cash and cash equivalents (\$3.1 million). Deferred outflows of resources at June 30, 2017, totaled \$14.9 million, an increase of \$7.8 million, or a 109.5 percent increase over the prior year. While assets grew, liabilities increased by \$11.9 million, or 23.3 percent, totaling \$62.8 million at June 30, 2017, primarily from increased net pension liabilities (\$11.7 million). Deferred inflows of resources at June 30, 2017, totaled \$1.7 million, a decrease of \$2.2 million, or 56.6 percent decrease over the prior year. As a result, the College's net position increased by \$3 million, resulting in a year-end balance of \$114.8 million.

The College's operating revenues totaled \$36.8 million for the 2016-17 fiscal year, representing a 6.5 percent increase compared to the 2015-16 fiscal year due mainly to an increase in net student tuition and fees (\$1.8 million). Operating expenses totaled \$107.9 million for the 2016-17 fiscal year, representing an increase of 7.1 percent as compared to the 2015-16 fiscal year due mainly to an increase in personnel services (\$5.5 million) and materials and supplies (\$2.2 million).

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2017, and June 30, 2016, is shown in the following graph:

Net Position
(In Thousands)



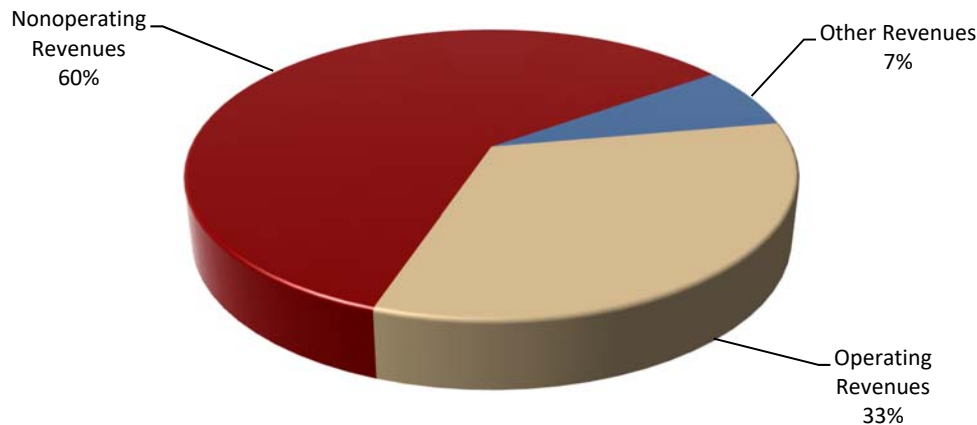
The College’s net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$1.9 million, or 2.6 percent, increase in net investment in capital assets compared to the prior fiscal year was primarily due to the greater amount of additions to capital assets over depreciation expense during the 2016-17 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of \$13.7 million, or 51.1 percent, was primarily due to the increase in the amount of restricted expendable capital funding for the construction of new facilities as well as the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of the restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College’s proportionate share of the net pension liability for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) pension plans, totaling \$44.8 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to financial statements for further details).

As more fully described in the Operating Expenses and the Revenues sections which follow, College revenues and other support exceeded expenses in the fiscal year ended June 30, 2017. The following chart provides a graphical presentation of College revenues by category for the 2016-17 fiscal year:

Total Revenues 2016-17 Fiscal Year



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, and revenues received from agreements between local school boards and the College for high school programs, all of which supported the operating expenses of the College. Operating revenues, comprising 33 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising 7 percent of total revenues, consist of State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2016 fiscal year, resulting in an increase in net position of \$3.7 million, compared to a \$944 thousand increase in the prior year, primarily due to increases in unrealized gains on investments of \$3.3 million.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (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. The 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 the activities of the following entities:

Primary Government

- Santa Fe College (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida College System Risk Management Consortium (Consortium), a Statewide college system risk management program – Although legally separate, the College is the fiscal administrator for the program and is required to report certain financial activities to the State of Florida. The required financial information reported includes the assets of cash and cash equivalents and investments, with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

- Santa Fe 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 and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Santa Fe College, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position 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 position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Santa Fe College's operating results.

These two statements report Santa Fe College's net position and changes in them. You can think of the College's net position (assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indication of whether its financial health is improving or deteriorating. You need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and 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 year's revenues and expenses are taken into account when earned or incurred, regardless of when cash is received or paid.

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College, Consortium, and its component unit for the respective fiscal years are shown in the following table:

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

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-16	12-31-15
	6-30-17	6-30-16	6-30-17	6-30-16		
Assets						
Current Assets	\$ 43,119	\$ 53,967	\$ 71,659	\$ 65,892	\$ 18,944	\$ 2,868
Capital Assets, Net	84,048	82,819	-	-	10,655	14,320
Other Noncurrent Assets	37,248	22,743	17,999	18,273	20,736	28,974
Total Assets	<u>164,415</u>	<u>159,529</u>	<u>89,658</u>	<u>84,165</u>	<u>50,335</u>	<u>46,162</u>
Deferred Outflows of Resources	<u>14,920</u>	<u>7,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Current Liabilities	10,796	10,192	71,659	65,892	271	16
Noncurrent Liabilities	51,974	40,699	17,999	18,273	1,227	1,586
Total Liabilities	<u>62,770</u>	<u>50,891</u>	<u>89,658</u>	<u>84,165</u>	<u>1,498</u>	<u>1,602</u>
Deferred Inflows of Resources	<u>1,715</u>	<u>3,956</u>	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	75,088	73,153	-	-	10,655	14,320
Restricted	40,593	26,866	-	-	34,791	30,053
Unrestricted	(831)	11,785	-	-	1,442	187
Total Net Position	<u>\$ 114,850</u>	<u>\$ 111,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,888</u>	<u>\$ 44,560</u>
Increase in Net Position	<u>\$ 3,046</u>	2.7%	<u>\$ -</u>		<u>\$ 2,328</u>	5.2%

Note: (1) The financial information reported for the Consortium includes the assets of restricted cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Revenues and expenses of the College and its component unit (the College does not include operating results of the Consortium in its statements) for the respective fiscal years ended are shown in the following table:

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

(In Thousands)

	College		Component Unit	
	6-30-17	6-30-16	12-31-16	12-31-15
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 28,507	\$ 26,707	\$ -	\$ -
Federal Grants and Contracts	3,533	3,520	-	-
State and Local Grants and Contracts	748	730	-	-
Nongovernmental Grants and Contracts	313	280	477	316
Sales and Services of Educational Departments	1,181	1,209	-	-
Auxiliary Enterprises	2,196	1,691	-	-
Other Operating Revenues	332	436	919	533
Total Operating Revenues	36,810	34,573	1,396	849
Less, Operating Expenses	107,940	100,761	2,123	1,926
Operating Loss	(71,130)	(66,188)	(727)	(1,077)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	42,881	37,845	-	-
Federal and State Student Financial Aid	22,492	22,726	-	-
Gifts, Grants, and Contracts	2,107	2,006	-	-
Other Nonoperating Revenues (Expenses), Net	(620)	851	2,788	(468)
Net Nonoperating Revenues (Expenses)	66,860	63,428	2,788	(468)
Income (Loss) Before Other Revenues	(4,270)	(2,760)	2,061	(1,545)
State Capital Appropriations	4,023	1,177	-	-
Endowment Principal Additions	-	-	1,570	2,330
Capital Grants, Contracts, Gifts, and Fees	3,293	4,546	27	159
Net Increase In Net Position	3,046	2,963	3,658	944
Net Position, Beginning of Year	111,804	108,841	44,560	43,616
Adjustment to Beginning Net Position (1)	-	-	(1,330)	-
Net Position, Beginning of Year, as Restated	111,804	108,841	43,230	43,616
Net Position, End of Year	\$ 114,850	\$ 111,804	\$ 46,888	\$ 44,560

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 72, which is a change in accounting principle that requires fair value measurement of investments, and GASB Statement No. 81, which is a change in accounting principle that requires changes in the reporting of irrevocable split-interest agreements.

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. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are

defined by GASB as nonoperating. College revenues increased by \$7.5 million, or 7.1 percent, as compared to the prior fiscal year primarily as a result of the following factors:

Operating Revenues

- Net student tuition and fee revenue increased by \$1.8 million, or 6.7 percent, as a result of an increase in enrollment, offset some by an increase in the scholarship allowance.
- Grants and contracts increased by \$64 thousand, or 1.4 percent, primarily due to an increase in nongovernmental grants.
- Auxiliary enterprises revenue increased by \$505 thousand, or 29.9 percent, as a result of the College's inter-local agreement with the City of Gainesville for management services of the Gainesville Technology Entrepreneurship Center Incubator.

Nonoperating and Other Revenues and Grants

- State noncapital appropriations increased by \$5 million, or 13.3 percent, primarily due to increased funding in Florida College System Program funds.
- Federal and State student financial aid decreased by \$234 thousand, or 1 percent, due primarily to a decrease in State program scholarship funds.
- Gifts, grants, and contracts increased by \$101 thousand, or 5 percent, as a result of increased enrollment by dual-enrolled students.
- Investment income decreased by \$1.5 million, or 116.8 percent, principally due to unrealized losses on investments.
- State capital appropriations increased by \$2.8 million, or 241.8 percent. This was due to increased Public Education Capital Outlay funding from the prior fiscal year.
- Capital grants, contracts, gifts, and fees decreased by \$1.3 million, or 27.6 percent, primarily due to the student technology fee being used for operating rather than capital projects.

Component unit revenues increased by \$2.4 million, or 73.2 percent, as compared to the prior fiscal year primarily as a result of the following factors:

- Operating revenues increased \$547 thousand, or 64.4 percent, primarily from increased rental income and fees and contributions.
- Investment income increased by \$3.3 million, or 695.7 percent, mainly from unrealized gains on securities and real estate investments.
- Endowment principal additions decreased \$760 thousand, or 32.6 percent, as a result of a decrease in amounts designated by donors to be placed in permanent endowments.

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 (none are reported for the Consortium) and its component unit for the respective fiscal years:

Operating Expenses For the Fiscal Years Ended

(In Thousands)

	College		Component Unit	
	6-30-17	6-30-16	12-31-16	12-31-15
Personnel Services	\$ 64,404	\$ 58,921	\$ -	\$ -
Scholarships and Waivers	15,640	16,216	729	784
Utilities and Communications	2,266	2,295	-	-
Contractual Services	6,781	6,652	-	-
Other Services and Expenses	3,940	4,372	1,010	747
Materials and Supplies	9,249	7,076	-	-
Depreciation	5,660	5,229	384	395
Total Operating Expenses	\$ 107,940	\$ 100,761	\$ 2,123	\$ 1,926

College total operating expenses increased by \$7.2 million, or 7.1 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided a 2 percent recurring salary increase and non-reoccurring periodic salary supplement of \$2,500 to all full-time personnel. These increases were complemented with the recording of a net pension expense totaling \$1.6 million. As a result, personnel services increased by \$5.5 million, or 9.3 percent, from the prior fiscal year.
- Scholarships and waivers provided to students decreased by \$576 thousand, or 3.6 percent, primarily due to a slight increase in waiver expense associated with the State fee waivers for non-Florida resident Florida high school graduates and veterans, offset by an increase in scholarship allowances. Scholarship expenses, similar to tuition and fee revenue, are also shown net of scholarship allowances (amounts received from other than students and third-party payers).
- Utilities and communications decreased by \$29 thousand, or 1.3 percent, primarily due to a decrease in electricity expenses offset by a slight increase in water, sewer, and gas expenses.
- Contractual services increased by \$129 thousand, or 1.9 percent, primarily due to increased contractual and technology services.
- Other services and expenses decreased by \$432 thousand, or 9.9 percent, primarily due to a decrease in bad debt expense.
- Materials and supplies increased by \$2.2 million, or 30.7 percent, which is attributable primarily to increases in expenses for noncapitalized renovations and remodeling, minor equipment, and software expenses.
- Depreciation expense increased by \$431 thousand, or 8.2 percent, due to recent increases in depreciable capital assets.

Total operating expenses for the component unit increased \$197 thousand, or 10.2 percent, primarily due to increases in capital program expenditures and general administration expenses.

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. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the

operating activities of the College. Cash flows from capital and related 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 following summarizes the College's and Consortium's cash flows for the 2016-17 and 2015-16 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)**

	College		Consortium	
	2016-17	2015-16	2016-17	2015-16
Cash Provided (Used) by:				
Operating Activities	\$ (64,245)	\$ (63,393)	\$ 5,763	\$ (54)
Noncapital Financing Activities	67,493	62,509	-	-
Capital and Related Financing Activities	122	1,861	-	-
Investing Activities	(249)	1,221	1	(408)
Net Increase (Decrease) in Cash and Cash Equivalents	3,121	2,198	5,764	(462)
Cash and Cash Equivalents, Beginning of Year	56,800	54,602	64,096	64,558
Cash and Cash Equivalents, End of Year	\$ 59,921	\$ 56,800	\$ 69,860	\$ 64,096

The College's cash and cash equivalents increased during the 2016-17 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities increased \$852 thousand as compared to the prior fiscal year. The primary components of this change were increases in cash inflows from student tuition and fees (\$2.3 million) and other receipts (\$690 thousand) offset by increases in payments to suppliers (\$1.9 million), and payments for salary and benefits (\$2.5 million).
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$42.9 million) and Federal and State student financial aid (\$22.5 million). Cash inflows from noncapital financing increased \$5 million, as compared to the prior fiscal year, predominantly due to an increase in State noncapital appropriations.
- The primary sources of cash inflows for capital and related financing activities are State capital appropriations (\$4.5 million) and capital grants and gifts (\$3.4 million). Net cash inflows for capital and related financing activities decreased \$1.7 million as compared to the prior fiscal year, primarily due to an increase in State capital appropriations (\$2.7 million), a decrease in capital gifts and grants (\$1.4 million) offset by an increase in the purchase of capital assets (\$3.1 million).
- Cash inflows for investing activities of the College decreased by \$1.5 million primarily due to a decrease in investment income caused by unrealized capital losses.

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

Capital Assets

At June 30, 2017, the College had \$196.5 million in capital assets, less accumulated depreciation of \$112.5 million, for net capital assets of \$84 million. Depreciation charges for the current fiscal year totaled

\$5.7 million. The following table summarizes the College's capital assets activity for the fiscal year ended June 30, 2017:

Capital Assets, Net at June 30: College

	(In Thousands)			
	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 6,124	\$ 18	\$ -	\$ 6,142
Artwork and Artifacts	18	-	-	18
Buildings	140,140	440	-	140,580
Other Structures and Improvements	33,907	249	-	34,156
Furniture, Machinery, and Equipment	9,451	1,311	743	10,019
Construction in Progress	720	5,584	689	5,615
Total	190,360	7,602	1,432	196,530
Less, Accumulated Depreciation:				
Buildings	70,167	3,435	-	73,602
Other Structures and Improvements	29,544	1,155	-	30,699
Furniture, Machinery, and Equipment	7,830	1,070	719	8,181
Total Accumulated Depreciation	107,541	5,660	719	112,482
Capital Assets, Net	\$ 82,819	\$ 1,942	\$ 713	\$ 84,048

The component unit had \$16.6 million in capital assets, less accumulated depreciation of \$5.9 million, for net capital assets of \$10.7 million. Depreciation charges for the current fiscal year totaled \$384 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2016, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

	(In Thousands)				Ending Balance
	Beginning Balance	Adjustments	Additions	Reductions	
Land	\$ 3,622	\$ (105)	\$ -	\$ -	\$ 3,517
Art Collection	543	-	28	-	571
Equipment	4	-	-	-	4
Land and Buildings Held for Investment	2,924	(2,924)	-	-	-
Buildings and Improvements	11,933	(445)	-	-	11,488
Film Costs (Depreciable)	962	-	-	-	962
Total	19,988	(3,474)	28	-	16,542
Less, Accumulated Depreciation	5,668	(165)	384	-	5,887
Capital Assets, Net	\$ 14,320	\$ (3,309)	\$ (356)	\$ -	\$ 10,655

Additional information about the College's and its component unit's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2017, included the construction, renovation, and utility upgrades at the Institute of Public Safety Kirkpatrick Center (\$5.5 million), and the renovation and addition to the Police Department Building T (\$85 thousand).

The College has \$1.9 million in capitalized construction contract commitments as of June 30, 2017. The contract commitments are for projects that include the construction of the Law Enforcement and Emergency Medical Technician facility, renovations, and expansion of Building T, the College's police station, animal exhibits at the College's teaching zoo, and several utility upgrades. The College's capitalized construction commitments at June 30, 2017, are as follows:

Capitalized Construction Commitments: College

(In Thousands)

	<u>Amount</u>
Total Committed	\$ 7,503
Completed to Date	<u>5,615</u>
Balance Committed	<u>\$ 1,888</u>

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

Debt Administration

As of June 30, 2017, the College had \$9 million in outstanding capital improvement bonds payable versus \$9.7 million at the end of the prior fiscal year, representing a decrease of \$706 thousand, or 7.3 percent, from the prior fiscal year. Proceeds from bonds were used to construct and renovate College facilities. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30: College

(In Thousands)

	<u>2017</u>	<u>2016</u>
SBE Capital Outlay Bonds	\$ -	\$ 26
Capital Improvement Revenue Bonds	<u>8,960</u>	<u>9,640</u>
Total	<u>\$ 8,960</u>	<u>\$ 9,666</u>

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 additional financial resources will be necessary to maintain its present level of services. Fifty-two percent of the College's planned recurring 2017-18 operating funds

are received through State noncapital appropriations, with tuition and fees from student enrollment providing most of the balance of resources. State allocations for the 2017-18 fiscal year were higher than the 2016-17 fiscal year allocations. While the revenue projections for the State continue to be positive, the demands for State resources continue to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future. The College continues to designate reserves in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

On-going efforts to develop new revenue sources and contain costs continue to serve the College well in its commitment to the growth of educational programs, improved student access, and overall excellence in service to its students and communities. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

The component unit's reliance on charitable giving is also affected by the general state of the economy as well as by the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the College has historically enjoyed a very positive reputation in the communities it serves. While economic factors do affect charitable giving in general, the Foundation has a history of very steady growth regardless of changes in these factors.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

BASIC FINANCIAL STATEMENTS

SANTA FE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2017

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,649,256	\$ 86,233
Restricted Cash and Cash Equivalents	4,447,771	1,200,170
Investments	994,146	147,553
Restricted Investments	-	17,475,556
Accounts Receivable, Net	2,156,124	34,788
Due from Other Governmental Agencies	9,712,879	-
Due from Component Unit	30,026	-
Inventories	52,113	-
Prepaid Expenses	76,487	-
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	69,860,524	-
Restricted Investments	1,798,441	-
Total Current Assets	114,777,767	18,944,300
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	29,823,601	-
Investments	7,425,170	1,201,886
Restricted Investments	-	5,275,946
Endowment Investments	-	14,257,772
Depreciable Capital Assets, Net	72,272,988	6,562,810
Nondepreciable Capital Assets	11,774,787	4,092,663
Risk Management Consortium:		
Restricted Deposit	3,536,924	-
Restricted Investments	14,461,879	-
Total Noncurrent Assets	139,295,349	31,391,077
TOTAL ASSETS	254,073,116	50,335,377
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	14,920,098	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,464,514	34,325
Salary and Payroll Taxes Payable	4,386,439	-
Retainage Payable	382,336	-
Due to Other Governmental Agencies	57,254	-
Unearned Revenue	1,666,429	-
Annuity Trust Obligations	-	237,221
Deposits Held for Others	1,079,112	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	715,000	-
Compensated Absences Payable	681,332	-
Net Pension Liability	364,056	-
Risk Management Consortium:		
Deposit Held for Others	71,658,965	-
Total Current Liabilities	82,455,437	271,546

SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2017

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	8,245,000	-
Compensated Absences Payable	8,202,418	-
Other Postemployment Benefits Payable	510,522	-
Net Pension Liability	35,015,636	-
Annuity Trust Obligations	-	1,227,446
Risk Management Consortium:		
Deposits Held for Others	17,998,803	-
	69,972,379	1,227,446
Total Noncurrent Liabilities		
	152,427,816	1,498,992
TOTAL LIABILITIES		
	1,715,112	-
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	1,715,112	-
Deferred Amounts Related to Irrevocable		
Split-Interest Agreements	-	1,948,803
	1,715,112	1,948,803
TOTAL DEFERRED INFLOWS OF RESOURCES		
	75,087,775	10,655,473
NET POSITION		
Net Investment in Capital Assets	75,087,775	10,655,473
Restricted:		
Nonexpendable:		
Endowment	-	27,347,244
Expendable:		
Grants	1,729,597	-
Loans	500,972	-
Scholarships	-	2,208,222
Capital Projects	38,362,971	-
Other	-	5,235,082
Unrestricted	(831,029)	1,441,561
	\$ 114,850,286	\$ 46,887,582

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

SANTA FE 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, 2017

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,529,652	\$ 28,507,450	\$ -
Federal Grants and Contracts	3,532,928	-
State and Local Grants and Contracts	747,856	-
Nongovernmental Grants and Contracts	312,537	477,261
Sales and Services of Educational Departments	1,181,194	-
Auxiliary Enterprises	2,196,210	-
Other Operating Revenues	332,063	919,177
Total Operating Revenues	36,810,238	1,396,438
EXPENSES		
Operating Expenses:		
Personnel Services	64,403,778	-
Scholarships and Waivers	15,640,382	729,694
Utilities and Communications	2,266,220	-
Contractual Services	6,781,218	-
Other Services and Expenses	3,939,791	1,010,733
Materials and Supplies	9,248,886	-
Depreciation	5,660,259	383,401
Total Operating Expenses	107,940,534	2,123,828
Operating Loss	(71,130,296)	(727,390)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	42,880,993	-
Federal and State Student Financial Aid	22,492,360	-
Gifts, Grants, and Contracts	2,106,695	-
Investment Income (Loss)	(220,849)	2,787,725
Gain on Disposal of Capital Assets	52,037	-
Interest on Capital Asset-Related Debt	(451,125)	-
Net Nonoperating Revenues	66,860,111	2,787,725
Income (Loss) Before Other Revenues	(4,270,185)	2,060,335
State Capital Appropriations	4,023,592	-
Capital Grants, Contracts, Gifts, and Fees	3,292,679	27,433
Endowment Principal Additions	-	1,569,552
Total Other Revenues	7,316,271	1,596,985
Increase in Net Position	3,046,086	3,657,320
Net Position, Beginning of Year	111,804,200	44,559,891
Adjustment to Beginning Net Position	-	(1,329,629)
Net Position, Beginning of Year, as Restated	111,804,200	43,230,262
Net Position, End of Year	\$ 114,850,286	\$ 46,887,582

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

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SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 28,555,116
Grants and Contracts	4,206,520
Payments to Suppliers	(19,949,331)
Payments for Utilities and Communications	(2,266,220)
Payments to Employees	(50,007,935)
Payments for Employee Benefits	(12,422,267)
Payments for Scholarships	(15,640,382)
Auxiliary Enterprises	1,425,346
Sales and Services of Educational Departments	1,181,194
Other Receipts	673,225
Risk Management Consortium:	
Other Receipts	5,763,353
Net Cash Used by Operating Activities	(58,481,381)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	42,880,993
Federal and State Student Financial Aid	22,492,360
Federal Direct Loan Program Receipts	18,489,701
Federal Direct Loan Program Disbursements	(18,476,671)
Gifts, Grants, and Contracts	2,106,695
Net Cash Provided by Noncapital Financing Activities	67,493,078
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,509,780
Capital Grants and Gifts	3,402,598
Proceeds from Sale of Capital Assets	26,875
Purchases of Capital Assets	(6,660,359)
Principal Paid on Capital Debt and Leases	(706,000)
Interest Paid on Capital Debt and Leases	(451,125)
Net Cash Provided by Capital and Related Financing Activities	121,769
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	7,207,506
Purchases of Investments	(7,456,767)
Risk Management Consortium:	
Proceeds from Sales and Maturities of Investments	12,955,071
Purchases of Investments	(12,954,107)
Net Cash Used by Investing Activities	(248,297)
Net Increase in Cash and Cash Equivalents	8,885,169
Cash and Cash Equivalents, Beginning of Year	120,895,983
Cash and Cash Equivalents, End of Year	\$ 129,781,152

SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2017

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (71,130,296)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	5,660,259
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Accounts Receivables, Net	(610,409)
Due from Other Governmental Agencies	(381,121)
Due from Component Unit	(23,360)
Inventories	20,563
Prepaid Expenses	(8,231)
Accounts Payable	325,086
Salary and Payroll Taxes Payable	97,392
Due to Other Governmental Agencies	37,885
Unearned Revenue	(95,107)
Deposits Held for Others	(13,578)
Compensated Absences Payable	254,776
Other Postemployment Benefits Payable	(749)
Net Pension Liability	11,660,631
Deferred Outflows of Resources Related to Pensions	(7,798,029)
Deferred Inflows of Resources Related to Pensions	(2,240,446)
Risk Management Consortium:	
Restricted Deposit	270,420
Deposits Held for Others	5,492,933
	\$ (58,481,381)

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (24,879)
Donations 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.	\$ 114,298

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Santa Fe College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the 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 SBE rules. The College serves Alachua and Bradford Counties.

Reported within the College's financial statements are certain assets and liabilities of the Florida College System Risk Management Consortium (Consortium). The College is the fiscal agent for the Consortium, which is the administrator of an Employee Benefit Plan and a Property and Casualty Plan for participating Florida colleges. As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from the Consortium and for personnel functions (hiring, records maintenance, etc.) of the Consortium. The financial information reported for the Consortium includes restricted cash and cash equivalents, a restricted deposit, and restricted investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium. Annual audits of the Consortium and its financial activities are conducted by independent certified public accountants, and are available at the College.

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 Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on 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 Santa Fe 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 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.

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 and can be obtained from 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 December 31, 2016.

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:

- 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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 the accrual basis of accounting, and follows GASB standards of accounting and financial reporting.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or others providing financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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 invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College and Consortium consider all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit to be cash equivalents. Under this definition, the College and Consortium consider amounts invested in the State Treasury SPIA and 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, 2017, the College and Consortium reported as cash equivalents at fair value \$51,677,181 and \$57,994,565, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 6.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.8 years and fair value factor of 0.9923 at June 30, 2017. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. 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, 2017, the College and Consortium reported as cash equivalents \$5,263,132 and \$2,346, respectively, 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, 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 39 days as of June 30, 2017. 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 amortized cost.

Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land; artwork and artifacts; 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 acquisition 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, Pianos – 7 years

Capital Assets – Component Unit. Property and equipment acquisitions of the College’s component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment are depreciated using the straight-line method, based on a 40-year useful life for buildings, 5 to 7 years useful life for equipment, and 10 years for film production costs.

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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Changes – Component Unit

The Foundation implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which requires the Foundation to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The Foundation implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. In accordance with GASB Statement No. 81, assets received under split-interest agreements are recorded as follows:

- Assets for resources received or receivable.
- A liability for the lead interest that is assigned to other beneficiaries.
- A deferred inflow of resources for the government’s unconditional remainder interest.

Changes in assets recognized pursuant to irrevocable split-interest agreements, such as those resulting from interest, dividends, and changes in fair value, are recognized as an increase or decrease in the related deferred inflow of resources. The amount recognized as the liability representing the lead interest assigned to other beneficiaries has been recorded based on the settlement amount (the stream of payments that is expected to be provided to the other beneficiaries) as measured by an evaluation technique that incorporates assumptions reflecting the specific provisions of the agreement. Those assumptions include (a) the payment provisions of the agreement, (b) the estimated rate of return of the assets, (c) the mortality rate (if the term is life-contingent), and (d) the discount rate if a present value technique is used.

3. Adjustments to Beginning Net Position – Component Unit

The following is a summary of adjustments to beginning net position of the discretely presented component unit reported in the statement of revenues, expenses, and changes in net position:

<u>Description</u>	<u>Component Unit</u>
To Increase Beginning Net Position Balance for Retroactive Implementation of GASB 72	\$ 517,262
To Decrease Beginning Net Position Balance for Retroactive Implementation of GASB 81	<u>(1,846,891)</u>
Total	<u><u>\$ (1,329,629)</u></u>

4. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the recognition of long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liability) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (9,075,252)
Auxiliary Funds	<u>8,244,223</u>
Total	<u><u>\$ (831,029)</u></u>

5. Restricted Deposit

Pursuant to a collateral agreement, the Consortium has a \$3,536,924 collateral deposit held by an insurance company (company) for workers' compensation insurance claims. Although the Consortium is required to reimburse the company for claims paid, the company is authorized to use the collateral to pay any and all of the Consortium's obligations owed under the agreement. The deposit is held by the company in an interest-bearing account; however, the deposit is exposed to custodial credit risk because it is not covered by depository insurance and is uncollateralized. The Consortium does not have a policy for custodial credit risk.

6. Investments

College and Consortium.

The College's Board of Trustees and the Consortium have adopted written investment policies providing that surplus funds of the College and the Consortium 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 SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments

approved by the Board of Trustees as authorized by law. SBE Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

The general investment policy of both the College and the Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(16), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

Fair Value Measurement. The College and the Consortium categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the College's and the Consortium's recurring fair value measurements as of June 30, 2017, are valued using a matrix pricing model (Level 2 inputs), with the exception of United States Treasury Notes which are valued using quoted market prices (Level 1 inputs).

The College's and the Consortium's investments at June 30, 2017, are reported as follows:

	Amount	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level - College			
United States Treasury Notes	\$ 2,755,768	\$ 2,755,768	\$ -
Obligations of United States Government and Government-Sponsored Enterprises	4,244,709	-	4,244,709
Commercial Paper	496,400	-	496,400
Corporate Notes	589,155	-	589,155
Federal Agency Collateralized Mortgage Obligations	170,164	-	170,164
Mortgage-Backed Pass-Throughs	150,777	-	150,777
Money Market Mutual Funds	12,343	-	12,343
Total investments by fair value level - College	8,419,316	2,755,768	5,663,548
Investments by fair value level - Consortium			
United States Treasury Notes	4,353,699	4,353,699	-
Obligations of United States Government and Government-Sponsored Enterprises	1,744,787	-	1,744,787
Commercial Paper	565,502	-	565,502
Corporate Notes	5,434,985	-	5,434,985
Federal Agency Collateralized Mortgage Obligations	379,487	-	379,487
Foreign Notes	1,539,305	-	1,539,305
Asset-Backed Securities	1,462,520	-	1,462,520
Mortgage-Backed Pass-Throughs	772,364	-	772,364
Money Market Mutual Funds	7,671	-	7,671
Total investments by fair value level - Consortium	16,260,320	4,353,699	11,906,621
Total investments by fair value level - College and Consortium	\$ 24,679,636	\$ 7,109,467	\$ 17,570,169

The College and the Consortium invested in various debt and equity securities and money mutual funds. The following risks apply to College and Consortium investments:

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policy of the College limits the maximum average duration of the investment portfolio to no greater than 120 percent of the target benchmarks' average duration. The College's benchmark is the Merrill Lynch 1-3 Year U.S. Treasury Index. The investment policy of the Consortium limits the maximum effective duration of the aggregate portfolio to 3 years. The performance benchmark for the Consortium is the Merrill Lynch 1-5 Year U.S. Treasury Index.

At June 30, 2017, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' effective durations were 1.82 and 2.63 years, respectively. The effective duration of the College's and the Consortium's portfolios at June 30, 2017, were 1.78 and 2.64 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities from date of purchase is 5 years for the College and 5.5 years for the Consortium. At June 30, 2017, the Consortium's longest individual security effective duration was 4.51 years. Furthermore, the College's investment policy is designed to limit principal fluctuation so that no more than 20 percent of the portfolio has an effective duration greater than 3 years. An additional objective of the

College is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolio has an effective duration of 1 year or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policies of the College provide for the following regarding credit risk:

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Money market instruments including, but not limited to, commercial paper, time deposits, and banker’s acceptances, at the time of purchase must, at a minimum, be rated “A1/P1” or the equivalent by Standard & Poor’s and/or Moody’s and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an “AAA” rating by at least two of the following three credit rating organizations: Standard & Poor’s, Moody’s, or Fitch.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College must be maintained using the following scale:
 - United State Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - “AAA” – Rated Securities 8
 - “AA” – Rated Securities 7
 - “A” – Rated Securities 6

As of June 30, 2017, using the above scale, the College’s total quality rating was 9.05.

The investment policies of the Consortium provide the following regarding credit risk:

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
U.S. Treasury	100%	100%	N/A	5.50 Years (5.50 Years avg. life ⁴ for GNMA)
Government National Mortgage Association (GNMA)		40%		
Other U.S. Government Guaranteed; (e.g., Agency for International Development, Government Trust Certificates)		10%		
Federal Agency/Government Sponsored Enterprise (GSE): Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks	75%	40% ³	N/A	5.50 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Supranationals other than those above		5%		5.50 Years

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
Foreign Sovereign Governments (Organization for Economic Cooperation and Development countries only) and Canadian Provinces	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Foreign Sovereign Agencies (OECD countries only)	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Corporates	50% ²	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, BBB/Baa or equivalent)	5.50 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years
Agency Mortgage-Backed Securities (MBS)	25%	40% ³	N/A	5.50 Years Avg. Life ⁴
Asset-Backed Securities (ABS)	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life ⁴
Non-Negotiable Collateralized Bank Deposits or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years
Commercial Paper	50% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Bankers' Acceptances	10% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO), then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent). If the counterparty is a Federal Reserve Bank, no rating is required	1 Year
Money Market Funds	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Fixed-Income Mutual Funds & Exchange-Traded Funds	20%	10%	N/A	N/A
Intergovernmental Pools	50%	25%	Highest Fund Quality and Volatility Rating Categories by NRSROs who rate the fund (AAAm/AAAf, S1, or equivalent)	N/A

Notes: (1) Rating by at least one SEC-registered NRSRO, unless otherwise noted. ST=Short-term; LT=Long-term.

(2) Maximum allocation to all corporate and bank credit instruments is 50% combined.

(3) Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency ABS, is 40%.

(4) The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

At June 30, 2017, the investments of the College and the Consortium in obligations of the United States Government and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, commercial paper, foreign notes, asset-backed securities, and money market mutual funds were rated by Standard & Poor's as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
<u>College</u>		
United States Treasury Notes	\$ 2,755,768	AA+
Mortgage-Backed Pass-Throughs	\$ 150,777	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 170,164	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 4,244,709	AA+
Corporate Notes	\$ 589,155	AAA to AA+
Commercial Paper	\$ 496,400	A-1
Money Market Mutual Funds	\$ 12,343	AAAm
<u>Consortium</u>		
United States Treasury Notes	\$ 4,353,699	AA+
Mortgage-Backed Pass-Throughs	\$ 772,364	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 379,487	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 1,744,787	AA+
Corporate Notes	\$ 5,434,985	AAA to BBB
Foreign Notes	\$ 1,539,305	AA- to A-
Commercial Paper	\$ 565,502	A-1
Asset-Backed Securities	\$ 1,462,520	AAA
Money Market Mutual Funds	\$ 7,671	AAAm

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment 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 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. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College's and the Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium

provide that a maximum of 5 percent of the portfolio's individual corporate exposure may be invested in securities of a single issuer. The maximum corporate exposure at June 30, 2017, was as follows:

- College: 3%
- Consortium: 3.9%

Component Unit.

Mutual funds and corporate common stocks are valued based on prices quoted in the active markets and are categorized as Level 1 in the fair value hierarchy. Corporate preferred stocks, corporate bonds, U.S. Federal agency bonds, and municipal bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. Real estate is valued using the capitalization rate to determine fair value and is categorized as Level 3 in the fair value hierarchy.

Investments held by the College's component unit (Foundation) at December 31, 2016, were reported at fair value as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 471,253	\$ 471,253	\$ -	\$ -
Corporate Common Stocks	12,707,600	12,707,600	-	-
Corporate Preferred Stocks	1,026,280	-	1,026,280	-
Corporate Bonds	17,658,781	-	17,658,781	-
U.S. Federal Agency Bonds	1,571	-	1,571	-
Municipal Bonds	1,449,196	-	1,449,196	-
Limited Partnerships	527,458	-	-	527,458
Real Estate	4,516,574	-	-	4,516,574
Total Component Unit Investments	\$ 38,358,713	\$ 13,178,853	\$ 20,135,828	\$ 5,044,032

There was \$1,191,040 in unrealized appreciation in the fair value of investments during the fiscal year ended December 31, 2016. The carrying value of investments at December 31, 2016, includes all material changes in fair value, including both realized and unrealized gains and losses that occurred both during the current year and previous years.

The Foundation invested in various debt and equity securities. To smooth distributions from the aggregate portfolio, the Foundation uses the moving average method of determining year-to-year spending. This policy provides for a more consistent and predictable spending for programs and it allows the Foundation to design an investment strategy that is more consistent with a higher expected average return over time. The following risks apply to the Foundation's investments:

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method. The durations for the Foundation investments as of December 30, 2016, are as follows:

<u>Maturities in Years</u>	<u>% of Total Assets</u>	<u>Total</u>
Less than 1	9.02%	\$ 3,459,580
1 to 2	4.47%	1,714,134
3 to 5	8.21%	3,148,623
6 to 10	8.89%	3,413,012
11 to 15	12.48%	4,786,892
16 to 20	3.86%	1,480,216
20 Plus	4.37%	1,676,152
None	48.70%	18,680,104
Total	100.00%	\$ 38,358,713

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case, the Foundation's Board of Directors, through the Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States Government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. The credit ratings, by nationally recognized rating agencies (e.g., Moody's Investors Service) of the portfolio held by the Foundation at December 31, 2016, was as follows:

<u>Rating</u>	<u>% of Total Assets</u>	<u>Fair Value</u>
Aaa/AAA	1.33%	\$ 508,604
Aa/AA	4.19%	1,607,605
A/A	14.64%	5,614,141
Baa/BBB	27.71%	10,629,868
Below Investment Grade	3.98%	1,527,595
Total Rated	51.85%	19,887,813
Government Backed	0.00%	1,571
Corporate Stocks	34.13%	13,094,542
Mutual Funds	1.87%	716,321
Corporate Bonds	0.00%	1,375
Limited Partnerships	0.37%	140,517
Real Estate	11.78%	4,516,574
Total Non-Rated	48.15%	18,470,900
Total Investments	100.00%	\$ 38,358,713

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are insured, registered, or held in the Foundation's name by a custodial bank as an agent for the Foundation.

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the entire portfolio. At December 31, 2016, no single issues represented more than 2 percent of the total portfolio value.

7. Accounts Receivable

Accounts receivable represent amounts for student fee deferments; Title IV Federal grant and State Bright Futures program repayments due from students; agency billings; investment income; commissions and rent due from vendors under contract for food, vending, and bookstore operations; contract and grant reimbursements due from third parties; and rent due from lessees of managed space. The receivables for students total \$441,561 and are reported net of a \$407,598 allowance for uncollectable student accounts. The receivable for rent due from leases of managed space totals \$1,366,194. This amount consists primarily of fines for late payment of rent and collection is contingent upon a revised lease agreement possibly reducing the amount owed. Other receivables are considered to be fully collectible.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$8,528,547 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$933,018 of Federal grant allocations due from the Federal Government primarily for the following grants:

- GeoPaths – National Science Foundation
- Training for Manufactured Construction – U.S. Department of Labor
- Adult and Financial Literacy – U.S. Department of Education
- SF2UF: A New Bridges Baccalaureate Program – U.S. Department of Health and Human Services
- Coral Research – National Science Foundation
- Upward Bound – U.S. Department of Education
- Talent Search – U.S. Department of Education
- Community College Administrator Program – U.S. Department of State
- Federal Work Study – U.S. Department of Education
- Perkins – U.S. Department of Education
- Body-Worn Cameras – U.S. Department of Justice

9. Due From Component Unit

The \$30,026 reported as due from component unit includes the remaining amount owed to the College by the Foundation for travel expenses covered by the Foundation, and donor contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2017. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2016, and there is no amount reported as due to the College by the Foundation.

10. Capital Assets

Capital assets activity of the College for the fiscal year ended June 30, 2017, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 6,123,327	\$ 18,032	\$ -	\$ 6,141,359
Artwork and Artifacts	18,000	-	-	18,000
Construction in Progress	719,515	5,584,776	688,863	5,615,428
Total Nondepreciable Capital Assets	\$ 6,860,842	\$ 5,602,808	\$ 688,863	\$ 11,774,787
Depreciable Capital Assets:				
Buildings	\$ 140,140,075	\$ 439,719	\$ -	\$ 140,579,794
Other Structures and Improvements	33,907,260	249,145	-	34,156,405
Furniture, Machinery, and Equipment	9,451,550	1,310,412	743,258	10,018,704
Total Depreciable Capital Assets	183,498,885	1,999,276	743,258	184,754,903
Less, Accumulated Depreciation:				
Buildings	70,166,887	3,435,048	-	73,601,935
Other Structures and Improvements	29,544,334	1,154,674	-	30,699,008
Furniture, Machinery, and Equipment	7,829,904	1,070,537	719,469	8,180,972
Total Accumulated Depreciation	107,541,125	5,660,259	719,469	112,481,915
Total Depreciable Capital Assets, Net	\$ 75,957,760	\$ (3,660,983)	\$ 23,789	\$ 72,272,988

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2016, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 3,622,393	\$ (105,000)	\$ -	\$ -	\$ 3,517,393
Art Collection	543,462	-	27,433	-	570,895
Equipment	4,375	-	-	-	4,375
Land Held for Investment	285,500	(285,500)	-	-	-
Buildings Held for Investment	2,639,923	(2,639,923)	-	-	-
Total Nondepreciable Capital Assets	\$ 7,095,653	\$ (3,030,423)	\$ 27,433	\$ -	\$ 4,092,663
Depreciable Capital Assets:					
Buildings and Improvements	\$ 11,932,518	\$ (444,460)	\$ -	\$ -	\$ 11,488,058
Film Costs	961,992	-	-	-	961,992
Total Depreciable Capital Assets	12,894,510	(444,460)	-	-	12,450,050
Less, Accumulated Depreciation:					
Buildings and Improvements	5,092,605	(165,960)	287,202	-	5,213,847
Film Costs	577,194	-	96,199	-	673,393
Total Accumulated Depreciation	5,669,799	(165,960)	383,401	-	5,887,240
Total Depreciable Capital Assets, Net	\$ 7,224,711	\$ (278,500)	\$ (383,401)	\$ -	\$ 6,562,810

Note: (1) Adjustments were made to correct prior year account entries.

11. Unearned Revenue

Unearned revenue at June 30, 2017, includes student tuition and fees, grant and contract revenue, and rent revenue received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2017, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 1,594,473
Grant and Contract Revenue	68,215
Rent Revenue	3,741
Total Unearned Revenue	\$ 1,666,429

12. Long-Term Liabilities

Long-term liabilities activity of the College for the fiscal year ended June 30, 2017, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 9,666,000	\$ -	\$ 706,000	\$ 8,960,000	\$ 715,000
Compensated Absences Payable	8,628,974	857,716	602,940	8,883,750	681,332
Other Postemployment Benefits Payable	511,271	78,320	79,069	510,522	-
Net Pension Liability	23,719,061	17,786,134	6,125,503	35,379,692	364,056
Total Long-Term Liabilities	\$ 42,525,306	\$ 18,722,170	\$ 7,513,512	\$ 53,733,964	\$ 1,760,388

Bonds Payable. The SBA, Division of Bond Finance issues Capital Improvement Revenue Bonds on behalf of the College. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 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 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The 2006A bonds constitute the first 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 2006A bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2017:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Florida Department of Education Capital Improvement Revenue Bonds: Series 2006A	\$ 8,960,000	3.50 - 5.00	2027

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 715,000	\$ 415,825	\$ 1,130,825
2019	750,000	380,075	1,130,075
2020	785,000	342,575	1,127,575
2021	825,000	303,325	1,128,325
2022	870,000	262,075	1,132,075
2023-2027	5,015,000	630,200	5,645,200
Total	\$ 8,960,000	\$ 2,334,075	\$ 11,294,075

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, 2017, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$8,883,750. The current portion of the compensated absences liability, \$681,332, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

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

Plan Description. The College contributes to an agent multiple-employer defined benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Other Postemployment Benefits Plan (OPEB 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 OPEB 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 (Medicare) program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend OPEB 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 OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 85 retirees received postemployment healthcare benefits, and 53 retirees received postemployment life insurance benefits. The College provided required contributions of \$79,069 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$632,538, which represents 1.54 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 OPEB Plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 39,524
Amortization of Unfunded Actuarial Accrued Liability	<u>37,236</u>
Annual Required Contribution	76,760
Interest on Net OPEB Obligation	20,451
Adjustment to Annual Required Contribution	<u>(18,891)</u>
Annual OPEB Cost (Expense)	78,320
Contribution Toward the OPEB Cost	<u>(79,069)</u>
Decrease in Net OPEB Obligation	(749)
Net OPEB Obligation, Beginning of Year	<u>511,271</u>
Net OPEB Obligation, End of Year	<u><u>\$ 510,522</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and for the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 94,821	68.5%	\$ 519,573
2015-16	77,083	110.8%	511,271
2016-17	78,320	101.0%	510,522

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,014,734 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,014,734 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$41,142,956 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.47 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations

used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial valuation method to estimate the actuarial accrued liability as of June 30, 2017, and the College's 2016-17 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 3.25 percent per year (comprised of a real growth rate of 0.65 percent and inflation), compounded annually, an inflation rate of 2.6 percent per year, and an annual healthcare cost trend rate of 6.75 percent pre-Medicare and 5.25 percent Medicare for the 2016-17 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 4 years for pre-Medicare and 1 year 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.

Net Pension Liability. As a participating employer in the Florida Retirement System, the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2017, the College's proportionate share of the net pension liabilities totaled \$35,379,692. Note 13. includes a complete discussion of defined benefit pension plans.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees of State colleges.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$4,543,318 for the fiscal year ended June 30, 2017.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan 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 to eligible participants.

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-participating 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 net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<u>Regular Class members initially enrolled before July 1, 2011</u>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<u>Regular Class members initially enrolled on or after July 1, 2011</u>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<u>Senior Management Service Class</u>	2.00
<u>Special Risk Class</u>	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Senior Management Service	3.00	21.77
FRS, Special Risk	3.00	22.57
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$2,342,304 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the College reported a liability of \$22,751,843 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined

by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was 0.090106028 percent, which was a decrease of 0.007032602 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$3,527,237. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,742,056	\$ 211,835
Change of assumptions	1,376,418	-
Net difference between projected and actual earnings on FRS Plan investments	5,881,074	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	970,393	1,234,856
College FRS contributions subsequent to the measurement date	2,342,304	-
Total	\$ 12,312,245	\$ 1,446,691

The deferred outflows of resources totaling \$2,342,304, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 1,256,942
2019	1,256,942
2020	3,549,750
2021	2,238,250
2022	170,036
Thereafter	51,330
Total	\$ 8,523,250

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
College's proportionate share of the net pension liability	\$41,887,683	\$22,751,843	\$6,823,783

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan.

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$578,858 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the College reported a net pension liability of \$12,627,849 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within one year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was 0.108350909 percent, which was a decrease of 0.001198383 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$1,016,081. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 28,762
Change of assumptions	1,981,631	-
Net difference between projected and actual earnings on HIS Plan investments	6,385	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	40,979	239,659
College contributions subsequent to the measurement date	578,858	-
Total	<u>\$ 2,607,853</u>	<u>\$ 268,421</u>

The deferred outflows of resources totaling \$578,858, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 317,511
2019	317,511
2020	316,295
2021	315,710
2022	260,837
Thereafter	232,710
Total	<u>\$ 1,760,574</u>

Actuarial Assumptions. The total pension liability at July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was

adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 3.80 percent from the prior measurement date.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
College's proportionate share of the net pension liability	\$14,487,012	\$12,627,849	\$11,084,846

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$290,251 for the fiscal year ended June 30, 2017.

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 8 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 5.15 percent of the participant's salary to the participant's account, 2.83 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 7.98 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$482,981 and employee contributions totaled \$181,572 for the 2016-17 fiscal year.

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

eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 9.65 percent and employees contribute 3 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

The College's contributions to the Local Annuity Program totaled \$100,526 and employee contributions totaled \$14,464 for the 2016-17 fiscal year.

15. Construction Commitments

The College's capitalized and noncapitalized construction commitments at June 30, 2017, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
Kirkpatrick Center Institute of Public Safety (IPS) Expansion:			
Architect	\$ 4,700	\$ 4,700	\$ -
Engineer	700,456	646,355	54,101
Construction Manager	4,398,837	3,047,734	1,351,103
General Contractor	1,681,932	1,555,911	126,021
Building T Renovations:			
Architect	101,189	82,343	18,846
General Contractor	2,243	2,243	-
Blount Center Building DA Roof:			
Architect	25,250	8,838	16,412
Blount Center Expansion Project:			
Architect	33,420	-	33,420
General Contractor	1,425	-	1,425
IPS Chiller and Pump Replacement:			
Engineer	6,475	5,450	1,025
Construction Manager	268,324	233,629	34,695
Aviary at the Teaching Zoo:			
General Contractor	1,200	1,200	-
Zoo Gibbon Exhibit Netting Replacement:			
Engineer	2,500	2,500	-
General Contractor	81,750	24,525	57,225
Repair Leaking Pipe Lines Between T & Y Bldgs:			
General Contractor	194,056	-	194,056
Total Capitalized Projects	7,503,757	5,615,428	1,888,329
Noncapitalized:			
Blount Center Renovations:			
Architect	7,846	6,277	1,569
Construction Manager	67,561	13,318	54,243
General Contractor	11,389	-	11,389
Andrews Center Fire Protection Study:			
Engineer	13,175	4,400	8,775
General Contractor	18,817	-	18,817
Buildings B,E,J,M,W Classroom Renovations:			
Architect	20,640	18,355	2,285
Construction Manager	414,162	280,987	133,175
General Contractor	5,793	-	5,793
Upgrade to Fiber on NW Campus:			
General Contractor	129,700	14,255	115,445
Zoo Renovations:			
General Contractor	41,885	1,187	40,698
Upgrade Phone System:			
General Contractor	161,815	-	161,815
Building E Auditorium:			
Architect	47,534	37,552	9,982
Buildings A,B,D,E,F,G,J,K,L,O,S,W,Y Renovations:			
Architect	14,150	11,320	2,830
Engineers	5,000	-	5,000
Construction Manager	358,825	62,847	295,978
General Contractor	66,046	8,853	57,193
IPS Renovations:			
Construction Manager	734,732	506,965	227,767
General Contractor	990	710	280
Projects Committed for Less Than \$25,000	69,219	18,680	50,539
Total Noncapitalized Projects	2,189,279	985,706	1,203,573
Total Construction Contract Commitments	\$ 9,693,036	\$ 6,601,134	\$ 3,091,902

16. 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 of up to \$200 million for property insurance. 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 3 fiscal years.

17. 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 36,784,666
Public Services	1,228,098
Academic Support	8,453,207
Student Services	12,279,064
Institutional Support	14,272,571
Operation and Maintenance of Plant	13,218,698
Scholarships and Waivers	15,692,899
Depreciation	5,660,259
Auxiliary Enterprises	351,072
Total Operating Expenses	\$ 107,940,534

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]
7/1/2011	\$ -	\$ 913,031	\$ 913,031	0%	\$ 45,323,385	2.01%
7/1/2013	-	874,575	874,575	0%	35,632,325	2.45%
7/1/2015	-	1,014,734	1,014,734	0%	35,933,262	2.82%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method in the 7/1/2011, and 7/1/2013, valuations and the entry age normal actuarial valuation method in the 7/1/2015, valuation to estimate the actuarial accrued liability.

Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.090106028%	0.097138630%	0.100886047%	0.090124341%
College's proportionate share of the FRS net pension liability	\$ 22,751,843	\$ 12,546,757	\$ 6,155,532	\$ 15,514,410
College's covered payroll (2)	\$ 39,431,384	\$ 39,279,143	\$ 38,694,964	\$ 37,553,181
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	57.70%	31.94%	15.91%	41.31%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of College Contributions –
Florida Retirement System Pension Plan**

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 2,342,304	\$ 2,208,964	\$ 2,368,322	\$ 2,209,833
FRS contributions in relation to the contractually required contribution	<u>(2,342,304)</u>	<u>(2,208,964)</u>	<u>(2,368,322)</u>	<u>(2,209,833)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 40,303,975	\$ 39,431,384	\$ 39,279,143	\$ 38,694,964
FRS contributions as a percentage of covered payroll	5.81%	5.60%	6.03%	5.71%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of the College's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.108350909%	0.109549292%	0.111742332%	0.110935455%
College's proportionate share of the HIS net pension liability	\$ 12,627,849	\$ 11,172,304	\$ 10,448,180	\$ 9,658,390
College's covered payroll (2)	\$ 33,453,417	\$ 33,322,876	\$ 33,203,064	\$ 32,202,548
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.75%	33.53%	31.47%	29.99%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of College Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 578,858	\$ 555,564	\$ 418,766	\$ 382,792
HIS contributions in relation to the contractually required HIS contribution	<u>(578,858)</u>	<u>(555,564)</u>	<u>(418,766)</u>	<u>(382,792)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 34,251,575	\$ 33,453,417	\$ 33,322,876	\$ 33,203,064
HIS contributions as a percentage of covered payroll	1.69%	1.66%	1.26%	1.15%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of \$1,014,734 increased by 16.03 percent from the July 1, 2013, liability of \$874,575 primarily due to:

- Demographic assumptions (rates of withdrawal, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The assumed rates of healthcare inflation used to project the per capita healthcare costs were revised to reflect recent experience.
- The assumed rates of participation in the Plan were adjusted to reflect current experience.
- The general payroll growth rate and salary scale assumptions were revised to be consistent with the rates used by the Florida Retirement System.
- The actuarial cost method was changed from projected unit credit to entry age normal in anticipation of new disclosure requirements developed by Governmental Accounting Standards Board.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.8 percent to 2.85 percent.



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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe 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, 2017, 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 13, 2018, 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 from 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 this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 13, 2018