STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-154
March 2019

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Carol Probstfeld served as President of State College of Florida, Manatee-Sarasota and the following individuals served as Members of the Board of Trustees:

	County
Robert A. Wyatt, Chair from 4-24-18, Vice Chair through 4-23-18	Sarasota
Peter R. Logan, Vice Chair from 4-24-18	Manatee
Marlen J. Hager, Chair through 4-9-18 [a]	Manatee
Edward A. Bailey	Manatee
Jaymie Carter from 4-19-18 [b]	Manatee
Dominic DiMaio	Manatee
Richard Dorfman	Sarasota
John Horne from 4-10-18	Manatee
Tracy Knight	Sarasota
Rod P. Thomson	Sarasota

[a] Chair position vacant from 4-10-18, through 4-23-18.
[b] Trustee position vacant through 4-18-18.

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 Elba M. Guzik, CPA, and the audit was supervised by Rachel P. Sellers, 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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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of State College of Florida, Manatee-Sarasota (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 State College of Florida, Manatee-Sarasota 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, 2018. 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

AUDITOR GENERAL
STATE OF FLORIDA

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Tallahassee, Florida 32399-1450

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those 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 State College of Florida, Manatee-Sarasota and of its discretely presented component unit as of June 30, 2018, 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 Note 2. to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 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 Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **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 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 our report dated March 15, 2019, on our consideration of the State College of Florida, Manatee-Sarasota'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 solely 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 State College of Florida, Manatee-Sarasota's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

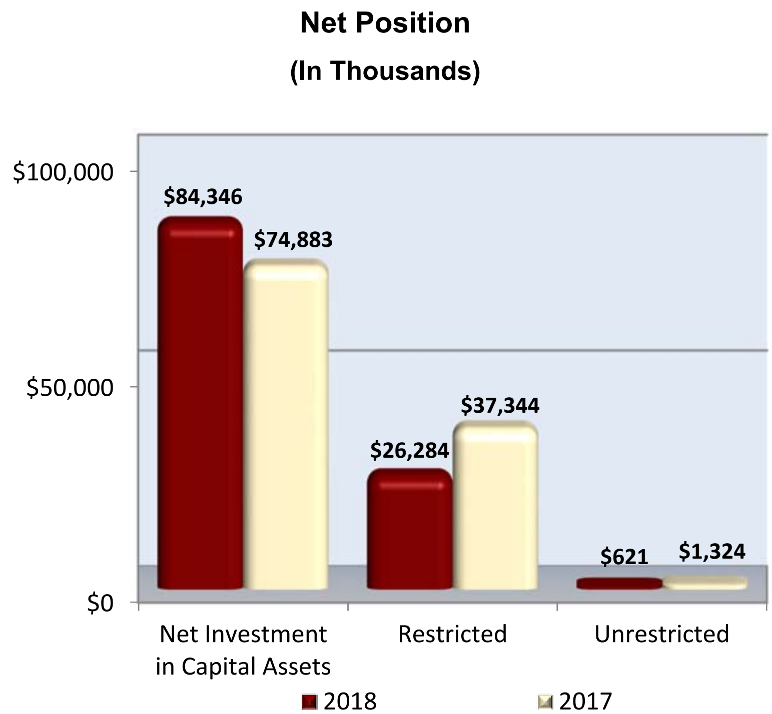
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

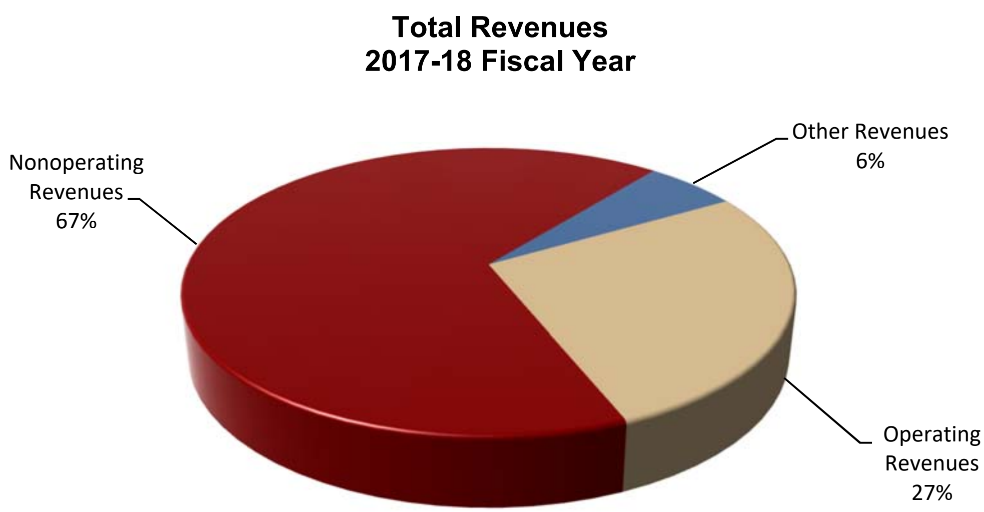
The College's assets and deferred outflows of resources totaled $145.1 million at June 30, 2018. This balance reflects a $1.8 million, or 1.2 percent, increase as compared to the 2016-17 fiscal year, resulting from an increase in the number and dollar value of construction projects in progress and an increase in the deferred outflow of resources for pensions. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $4.1 million, or 13.7 percent, totaling $33.8 million at June 30, 2018, resulting from the full recognition of other postemployment benefits liability (OPEB) due to the implementation of Governmental Accounting Standards Board (GASB) No. 75, deferred inflows of resources for pensions, and an increase in the College's net pension liability. As a result, the College's net position decreased by $2.3 million, resulting in a year-end balance of $111.3 million.

The College's operating revenues totaled $19.2 million for the 2017-18 fiscal year, representing a 16.5 percent decrease compared to the 2016-17 fiscal year due mainly to the $4.2 million reclassification of County School District allocations and dual enrollment fees from operating to nonoperating sources. Operating expenses totaled $71.5 million for the 2017-18 fiscal year, representing an increase of 4.9 percent as compared to the 2016-17 fiscal year due mainly to an increase in personnel costs for performance pay, one-time supplemental pays, and the addition of new positions; and an increase in materials and supply costs for additional costs related to the construction of the new Library and Learning Center – Bradenton Campus and data software purchases related to the relocation of the servers to the Cloud and the Enterprise Resource Planning upgrade to Banner 9.

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, 2018, and June 30, 2017, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2017-18 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit, State College of Florida Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding this component unit, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

The Statement of Net Position

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

The following summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2018	2017
Assets		
Current Assets	$ 32,026	$ 40,216
Capital Assets, Net	84,366	74,922
Other Noncurrent Assets	19,473	20,094
Total Assets	135,865	135,232
Deferred Outflows of Resources	9,207	8,064
Liabilities		
Current Liabilities	6,510	5,861
Noncurrent Liabilities	25,355	22,998
Total Liabilities	31,865	28,859
Deferred Inflows of Resources	1,956	886
Net Position		
Net Investment in Capital Assets	84,346	74,883
Restricted	26,284	37,344
Unrestricted	621	1,324
Total Net Position	$ 111,251	$ 113,551

The increase of $0.6 million in the College's total assets is primarily due to the construction of the new Library and Learning Center – Bradenton Campus. The increase of $3 million in the College's total liabilities is primarily due to the implementation of GASB Statement No. 75, and an increase in the College's net pension liability. The decrease of $2.3 million in total net position is primarily due to a one-time retroactive adjustment for the implementation of GASB Statement No. 75 for other postemployment benefits.

The Statement of Revenues, Expenses, and Changes in Net Position

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

The following summarizes the College's activity for the 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	2017-18	**2016-17**
Operating Revenues	$ 19,178	$ 22,971
Less, Operating Expenses	71,496	68,157
Operating Loss	(52,318)	(45,186)
Net Nonoperating Revenues	47,256	41,604
Loss Before Other Revenues	(5,062)	(3,582)
Other Revenues	4,114	12,053
Net Increase (Decrease) In Net Position	(948)	8,471
Net Position, Beginning of Year	113,551	105,080
Adjustment to Beginning Net Position (1)	(1,352)	-
Net Position, Beginning of Year, as Restated	112,199	105,080
Net Position, End of Year	$ 111,251	$ 113,551

(1) As discussed in Notes 2. and 3. to the financial statements, the College's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

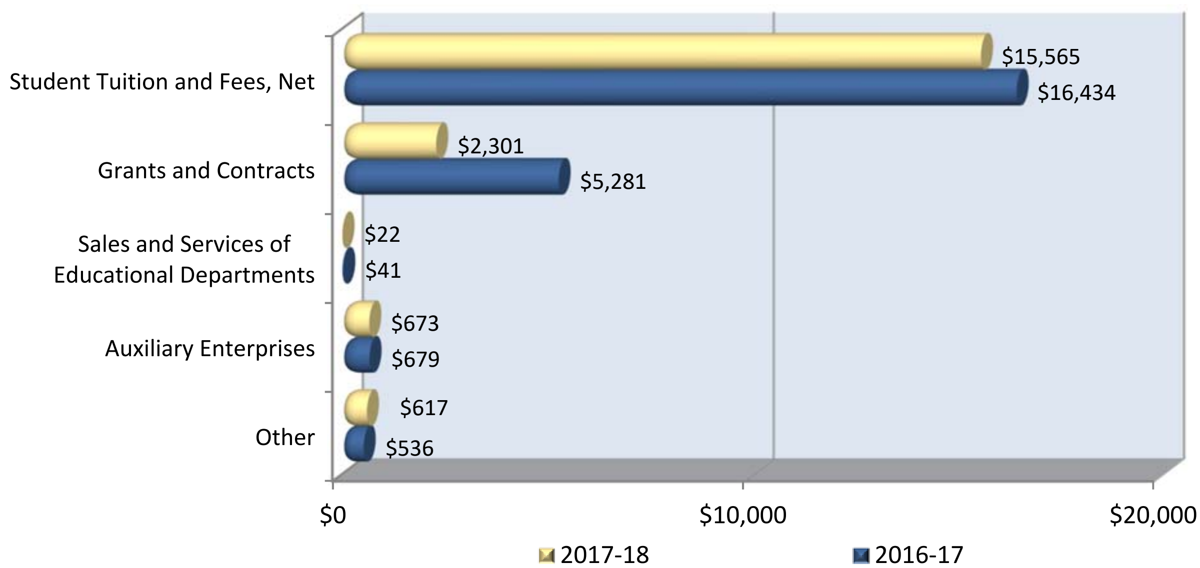
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 15,565	$ 16,434
Grants and Contracts	2,301	5,281
Sales and Services of Educational Departments	22	41
Auxiliary Enterprises	673	679
Other	617	536
Total Operating Revenues	$ 19,178	$ 22,971

The following chart presents the College's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



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

- Student Tuition and Fees, Net decreased $0.9 million, or 5.3 percent, primarily as a result of a decrease in student enrollment.
- Grants and Contracts decreased $3 million, primarily as a result of a reclassification of County School District allocations for the State College of Florida Collegiate School and dual enrollment contracts with the County School Districts from operating to nonoperating sources.

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 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

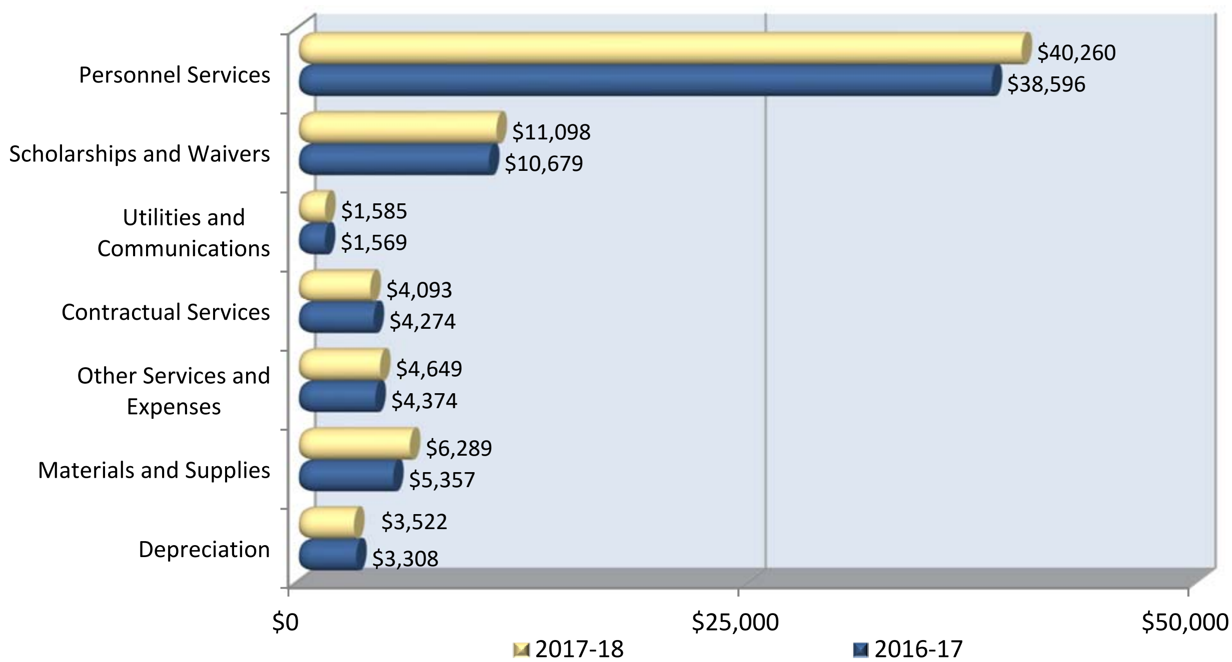
(In Thousands)

	2017-18	**2016-17**
Personnel Services	$ 40,260	$ 38,596
Scholarships and Waivers	11,098	10,679
Utilities and Communications	1,585	1,569
Contractual Services	4,093	4,274
Other Services and Expenses	4,649	4,374
Materials and Supplies	6,289	5,357
Depreciation	3,522	3,308
Total Operating Expenses	$ 71,496	$ 68,157

The following chart presents the College's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



College operating expenses increased $3.3 million primarily as a result of the following factors:

- Personnel costs increased $1.7 million, or 4.3 percent, over the prior fiscal year due to performance pay, one-time supplemental pay, and the addition of new positions.
- Materials and supplies increased $0.9 million, or 17.4 percent, over the prior year due to additional costs related to the construction of the new Library and Learning Center - Bradenton Campus and data software purchases related to the relocation of the servers to the Cloud and the Enterprise Resource Planning upgrade to Banner 9.

Nonoperating Revenues

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. The following summarizes the College's nonoperating revenues for the 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
State Noncapital Appropriations	$ 26,361	$ 25,924
Federal and State Student Financial Aid	16,161	15,349
Gifts and Grants	4,153	-
Investment Income	581	331
Total Nonoperating Revenues	$ 47,256	$ 41,604

Overall, nonoperating revenue increased by $5.7 million, primarily as a result of the following factors:

- Reclassification of County School District allocations from Local Grants and Contracts under Operating Revenue to Gifts and Grants under Nonoperating Revenue for an increase of $4.2 million.
- $0.8 million increase in Federal and State Student Financial Aid.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
State Capital Appropriations	$ 1,475	$ 10,218
Capital Grants, Contracts, Gifts, and Fees	2,639	1,835
Total	$ 4,114	$ 12,053

State Capital Appropriations decreased by $8.7 million from the prior fiscal year as a result of an increase in Public Education Capital Outlay appropriations funding in the 2016-17 fiscal year for the building of the new Library and Learning Center – Bradenton Campus.

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 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 cash flows for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (48,467)	$ (41,207)
Noncapital Financing Activities	47,023	41,296
Capital and Related Financing Activities	1,521	(307)
Investing Activities	580	331
Net Increase in Cash and Cash Equivalents	657	113
Cash and Cash Equivalents, Beginning of Year	42,999	42,886
Cash and Cash Equivalents, End of Year	$ 43,656	$ 42,999

Major sources of funds came from State noncapital appropriations ($26.4 million), State capital appropriations ($12.2 million), Federal and State Student Financial Aid ($16.4 million), net student tuition and fees ($14.8 million), and Noncapital gifts and grants ($4.2 million). Major uses of funds were for payments to employees and for employee benefits ($39.2 million), payments for acquisition of capital assets ($12.9 million), payments for scholarships ($11.1 million), and payments to providers of goods and services ($14.2 million).

Changes in cash and cash equivalents were the result of the following factors:

- The $7.3 million increase in cash used by operating activities is primarily the result of a $1.3 million decrease in net student tuition and fees, a $3.7 million decrease in Grants and Contracts due to the reclassification of dual enrollment fees and Collegiate School revenue to nonoperating from operating sources, and a $1.5 million increase in payments for salaries and benefits due to performance pay, one-time supplemental pays, and the addition of new positions.
- The $5.7 million increase in cash provided by noncapital financing activities is primarily the result of a $4.2 million increase in noncapital nonoperating gifts and grants reclassified from operating to nonoperating sources, and a $0.9 million increase in Federal and State Student Financial Aid.
- The $1.8 million increase in cash provided by capital financing activities is primarily the result of a $7.5 million increase in State Capital Appropriations for the construction of the new Library and Learning Center – Bradenton Campus, and a $6 million increase in the purchase of capital assets primarily for the construction of the new Library and Learning Center – Bradenton Campus.

Capital Assets and Capital Expenses and Commitments

Capital Assets

At June 30, 2018, the College had $151.4 million in capital assets, less accumulated depreciation of $67 million, for net capital assets of $84.4 million. Depreciation charges for the current fiscal year totaled $3.5 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	**2017**
Land	$ 4,644	$ 2,113
Artwork/Artifacts	40	40
Construction in Progress	15,249	8,938
Buildings	59,641	59,772
Other Structures and Improvements	2,805	2,922
Furniture, Machinery, and Equipment	1,957	1,083
Assets Under Capital Lease	30	54
Capital Assets, Net	$ 84,366	$ 74,922

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, were incurred on the new Library and Learning Center – Bradenton Campus ($13.8 million). The College's construction commitments at June 30, 2018, are as follows:

	Amount
Total Committed	$ 16,186,393
Completed to Date	15,248,847
Balance Committed	$ 937,546

Additional information about the College's construction commitments 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. Because of limited economic growth and increased demand for State resources, State funding will decrease for the 2018-19 fiscal year. In response to a desire to keep a college education affordable for students, the Board of Trustees did not increase the tuition rate for the 2018-19 fiscal year. The College has adjusted its 2018-19 fiscal year financial and capital plans to accommodate this decision.

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 Finance and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th Street West, Bradenton, Florida 34207.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 17,862,803	$ 546,333
Restricted Cash and Cash Equivalents	6,348,857	-
Accounts Receivable, Net	2,019,066	96,169
Due from Other Governmental Agencies	4,294,395	-
Due from Component Unit	733,073	-
Inventories	18,480	-
Prepaid Expenses and Deposits	748,981	40,557
Other Assets	-	2,635,762
Total Current Assets	32,025,655	3,318,821
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19,444,605	-
Investments	-	57,690,664
Prepaid Expenses	28,500	-
Depreciable Capital Assets, Net	64,433,223	-
Nondepreciable Capital Assets	19,932,748	-
Total Noncurrent Assets	103,839,076	57,690,664
TOTAL ASSETS	135,864,731	61,009,485
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	127,969	-
Pensions	9,078,580	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,206,549	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,915,651	42,533
Salary and Payroll Taxes Payable	3,002,397	-
Retainage Payable	606,579	-
Due to Other Governmental Agencies	1,230	-
Due to Component Unit	54,031	-
Due to College	-	76,129
Unearned Revenue	66,520	83,235
Deposits Held for Others	332,513	-
Long-Term Liabilities - Current Portion:		
Note Payable	19,931	-
Special Termination Benefits Payable	125,575	-
Compensated Absences Payable	55,995	-
Other Postemployment Benefits Payable	127,969	-
Net Pension Liability	201,781	-
Total Current Liabilities	6,510,172	201,897

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Special Termination Benefits Payable	168,675	-
Compensated Absences Payable	2,689,940	-
Other Postemployment Benefits Payable	1,426,148	-
Net Pension Liability	21,069,821	-
Total Noncurrent Liabilities	25,354,584	-
TOTAL LIABILITIES	31,864,756	201,897
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	52,782	-
Pensions	1,903,129	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,955,911	-
NET POSITION		
Net Investment in Capital Assets	84,346,040	-
Restricted:		
Nonexpendable:		
Endowment	-	12,232,353
Expendable:		
Endowment	-	30,290,446
Grants and Loans	3,019,422	-
Scholarships	381,765	8,836,642
Capital Projects	22,882,815	-
Unrestricted	620,571	9,448,147
TOTAL NET POSITION	$ 111,250,613	$ 60,807,588

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

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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $6,287,652	$ 15,564,607	$ -
Federal Grants and Contracts	1,137,546	-
State and Local Grants and Contracts	297,921	-
Nongovernmental Grants and Contracts	866,219	2,081,165
Sales and Services of Educational Departments	21,988	-
Auxiliary Enterprises	673,393	-
Other Operating Revenues	616,767	651,592
Total Operating Revenues	19,178,441	2,732,757
EXPENSES		
Operating Expenses:		
Personnel Services	40,260,392	440,744
Scholarships and Waivers	11,098,086	1,736,506
Utilities and Communications	1,585,220	-
Contractual Services	4,092,805	312,063
Other Services and Expenses	4,649,341	1,516,591
Materials and Supplies	6,288,796	29,955
Depreciation	3,521,670	265
Total Operating Expenses	71,496,310	4,036,124
Operating Loss	(52,317,869)	(1,303,367)
NONOPERATING REVENUES		
State Noncapital Appropriations	26,360,869	-
Federal and State Student Financial Aid	16,161,027	-
Gifts and Grants	4,153,521	-
Investment Income	580,693	7,468,758
Other Nonoperating Revenues	-	627,533
Total Nonoperating Revenues	47,256,110	8,096,291
Income (Loss) Before Other Revenues	(5,061,759)	6,792,924
State Capital Appropriations	1,474,970	-
Capital Grants, Contracts, Gifts, and Fees	2,638,718	-
Total Other Revenues	4,113,688	-
Increase (Decrease) in Net Position	(948,071)	6,792,924
Net Position, Beginning of Year	113,551,181	54,014,664
Adjustment to Beginning Net Position	(1,352,497)	-
Net Position, Beginning of Year, as Restated	112,198,684	54,014,664
Net Position, End of Year	$ 111,250,613	$ 60,807,588

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

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 14,789,617
Grants and Contracts	1,528,283
Payments to Suppliers	(14,236,726)
Payments for Utilities and Communications	(1,585,220)
Payments to Employees	(30,838,027)
Payments for Employee Benefits	(8,333,705)
Payments for Scholarships	(11,098,086)
Auxiliary Enterprises	527,875
Sales and Services of Educational Departments	21,988
Other Receipts	756,731
Net Cash Used by Operating Activities	(48,467,270)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	26,360,869
Federal and State Student Financial Aid	16,394,560
Federal Direct Loan Program Receipts	7,463,848
Federal Direct Loan Program Disbursements	(7,350,087)
Gifts and Grants Received	4,153,521
Net Cash Provided by Noncapital Financing Activities	47,022,711
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	12,151,441
Capital Grants and Gifts	2,310,012
Purchases of Capital Assets	(12,920,871)
Note Repayments	(18,984)
Net Cash Provided by Capital and Related Financing Activities	1,521,598
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	580,693
Net Increase in Cash and Cash Equivalents	657,732
Cash and Cash Equivalents, Beginning of Year	42,998,533
Cash and Cash Equivalents, End of Year	$ 43,656,265

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (52,317,869)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,521,670
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(802,126)
Due from Other Governmental Agencies	(114,274)
Due from Component Unit	(636,544)
Inventories	(3,940)
Prepaid Expenses	1,047
Accounts Payable	688,763
Salaries and Payroll Taxes Payable	35,891
Unearned Revenue	(27,195)
Deposits Held for Others	138,734
Due to Other Governmental Agencies	1,230
Special Termination Benefits Payable	(26,847)
Compensated Absences Payable	56,631
Other Postemployment Benefits Payable	71,791
Net Pension Liability	1,018,326
Deferred Outflows of Resources Related to Other Postemployment Benefits	(127,969)
Deferred Inflows of Resources Related to Other Postemployment Benefits	52,782
Deferred Outflows of Resources Related to Pensions	(1,014,147)
Deferred Inflows of Resources Related to Pensions	1,016,776
NET CASH USED BY OPERATING ACTIVITIES	$ (48,467,270)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 95,626

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 State College of Florida, Manatee-Sarasota, 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 nine 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 Manatee and Sarasota Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the 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 State College of Florida 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 at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended September 30, 2017.

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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, 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 computes its scholarship allowances by determining through its accounting records, the cash payments to students.

To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, a money market fund, and cash placed with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers 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 considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2018, the College reported as cash equivalents $34,599,764 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 30 days as of June 30, 2018. 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, provides 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, 2018, 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, furniture, machinery, and equipment, and assets under capital leases. 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 – 7 years
    - Portables – 10 years
- Assets Under Capital Lease – 3 years

Noncurrent Liabilities. Noncurrent liabilities include note payable, special termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities 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. 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 Change

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $1,352,497 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $1,494,749 to $1,624,578 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balance for deferred outflows of resources related to OPEB was established in the amount of $142,252.

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 full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (5,723,824)
Auxiliary Funds	6,344,395
Total	$ 620,571

5. Component Unit Investments

The College's component unit (Foundation) categorizes its 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. The value of the Level 3 investments is based on unobservable inputs (assumptions that market participants would use in pricing an asset) that reflect assumptions based on the best information available. As of September 30, 2017, investments held by the Foundation are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
United States Treasury Securities	$ 212,841	$ 212,841	$ -	$ -
Obligations of United States Government				
Agencies and Instrumentalities	688,311	688,311	-	-
Bonds and Notes	941,118	941,118	-	-
Stocks and Other Equity Securities	3,028,068	3,028,068	-	-
Alternative Investments	9,429,632	-	-	9,429,632
Mutual Funds:				
Domestic Equities	18,931,536	18,931,536	-	-
International Equities	14,019,483	14,019,483	-	-
Bonds and Notes	10,439,675	10,439,675	-	-
Total investments by fair value level	$ 57,690,664	$ 48,261,032	$ -	$ 9,429,632

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $374,000 allowance for doubtful accounts.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $3,353,680 of Public Education Capital Outlay allocations due from the State for construction of College facilities, $433,722 for dual enrollment contracts from County school districts, $242,002 for various Federal and State operating grants, $125,931 for Federal Direct Loans, and $109,930 for Federal Pell Grants and Supplemental Educational Opportunity Grants.

8. Due From and To Component Unit/College

The $733,073 amount reported due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The $54,031 reported as due to component unit consists of amounts owed by the College to the Foundation as a pass-thru for the State of Florida's First-Generation Scholarship program. The College's financial statements are reported for the fiscal year ended June 30, 2018. The College's component unit financial statements are reported for the fiscal year ended September 30, 2017. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 2,112,647	$ 2,531,593	$ -	$ 4,644,240
Artwork/Artifacts	39,661	-	-	39,661
Construction in Progress	8,937,955	8,971,905	2,661,013	15,248,847
Total Nondepreciable Capital Assets	$ 11,090,263	$ 11,503,498	$ 2,661,013	$ 19,932,748
Depreciable Capital Assets:				
Buildings	$ 96,515,547	$ 2,190,654	$ -	$ 98,706,201
Other Structures and Improvements	22,426,596	470,359	-	22,896,955
Furniture, Machinery, and Equipment	8,424,389	1,461,979	119,733	9,766,635
Assets Under Capital Lease	59,840	-	-	59,840
Total Depreciable Capital Assets	127,426,372	4,122,992	119,733	131,429,631
Less, Accumulated Depreciation:				
Buildings	36,742,600	2,322,338	-	39,064,938
Other Structures and Improvements	19,504,437	587,156	-	20,091,593
Furniture, Machinery, and Equipment	7,341,455	588,235	119,733	7,809,957
Assets Under Capital Lease	5,979	23,941	-	29,920
Total Accumulated Depreciation	63,594,471	3,521,670	119,733	66,996,408
Total Depreciable Capital Assets, Net	$ 63,831,901	$ 601,322	$ -	$ 64,433,223

10. Unearned Revenue

Unearned revenue at June 30, 2018, includes grants and contracts, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2018, the College reported the following amounts as unearned revenue:

Description	Amount
Grants and Contracts	$ 20,306
Student Tuition and Fees	46,214
Total Unearned Revenue	$ 66,520

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable	$ 38,915	$ -	$ 18,984	$ 19,931	$ 19,931
Special Termination Benefits Payable	321,098	109,524	136,372	294,250	125,575
Compensated Absences Payable	2,689,304	445,736	389,105	2,745,935	55,995
Other Postemployment Benefits Payable (1)	1,624,578	131,246	201,707	1,554,117	127,969
Net Pension Liability	20,253,276	12,599,753	11,581,427	21,271,602	201,781
Total Long-Term Liabilities	$ 24,927,171	$ 13,286,259	$ 12,327,595	$ 25,885,835	$ 531,251

(1) Beginning balance of the Other Postemployment Benefits Payable was adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for $5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of $508 as of June 30, 2018, for 1 participant who gave notice to retire under the Retirement Incentive Program. The Program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for $5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of $5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of $293,742 at June 30, 2018, for 47 employees who gave notice to retire under the Retirement Enhancement Program.

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, 2018, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $2,745,935. The current portion of the compensated absences liability, $55,995, is the amount expected to be paid in the coming fiscal year and represents the average amount for the last fifteen years of leave paid out to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium).

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. 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 health and hospitalization plan for medical, prescription drug and life insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for $5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of $5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	52
Inactive Employees Entitled to But Not Yet Receiving Benefits	17
Active Employees	431
Total	500

Total OPEB Liability

The College's total OPEB liability of $1,554,117 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	5.90 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates:	
Pre-Medicare	7.5 percent for 2017, decreasing to an ultimate rate of 5.00 percent for 2023 and later years
Medicare	5.5 percent for 2017, decreasing to an ultimate rate of 5.00 percent for 2020 and later years

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/17, as Restated	$ 1,624,578
Changes for the year:	
Service Cost	84,471
Interest	46,775
Differences Between Expected and Actual Experience	(3,063)
Changes in Assumptions or Other Inputs	(56,392)
Benefit Payments	(142,252)
Net Changes	(70,461)
Balance at 6/30/18	$ 1,554,117

Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$1,659,966	$1,554,117	$1,461,270

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,488,987	$1,554,117	$1,641,066

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the College recognized OPEB expense of $124,573. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,719
Change of assumptions or other inputs	-	50,063
Transactions subsequent to the measurement date	127,969	-
Total	$ 127,969	$ 52,782

Of the total amount reported as deferred outflows of resources related to OPEB, $127,969 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 6,673
2020	6,673
2021	6,673
2022	6,673
2023	6,673
Thereafter	19,417
Total	$ 52,782

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), 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, 2018, the College's proportionate share of the net pension liabilities totaled $21,271,602. Note 12. includes a complete discussion of defined benefit pension plans.

12. 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 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. 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.

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 $2,781,635 for the fiscal year ended June 30, 2018.

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* (SMSC) – Members in senior management level positions.

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 creditable 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. 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.

The 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan 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 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(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 $1,386,658 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a liability of $13,771,534 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was

0.046557966 percent, which was a decrease of 0.000302052 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $2,246,256. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,263,895	$ 76,286
Change of assumptions	4,628,208	-
Net difference between projected and actual earnings on FRS Plan investments	-	341,293
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	164,299	486,753
College FRS contributions subsequent to the measurement date	1,386,658	-
Total	$ 7,443,060	$ 904,332

The deferred outflows of resources totaling $1,386,658, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 667,087
2020	1,851,785
2021	1,230,484
2022	180,281
2023	881,678
Thereafter	340,755
Total	$ 5,152,070

Actuarial Assumptions. The total pension liability in the July 1, 2017, 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	7.10 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, 2017, 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 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. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

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 7.10 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 (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability	$24,925,645	$13,771,534	$4,511,067

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.

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $64,599 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

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, 2018, 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, 2018, 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 $387,919 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a net pension liability of $7,500,068 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 1 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.070143514 percent, which was a decrease of 0.002112034 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $535,379. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 1,054,252	$ 648,539
Net difference between projected and actual earnings on HIS Plan investments	4,159	-
Differences between expected and actual experience	-	15,616
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	189,190	334,642
College contributions subsequent to the measurement date	387,919	-
Total	$ 1,635,520	$ 998,797

The deferred outflows of resources totaling $387,919, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 87,820
2020	87,032
2021	86,655
2022	74,819
2023	39,634
Thereafter	(127,156)
Total	$ 248,804

Actuarial Assumptions. The total pension liability at July 1, 2017, 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	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projection 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 3.58 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 in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	**Current Discount Rate (3.58%)**	**1% Increase (4.58%)**
College's proportionate share of the net pension liability	$8,558,571	$7,500,068	$6,618,394

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.

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $35,183 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

13. 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's 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 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

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, 2018, 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 roll over 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 $639,790 for the fiscal year ended June 30, 2018.

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, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.45 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 $188,352 and employee contributions totaled $66,843 for the 2017-18 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 12.49 percent of the employee's salary to the Local Annuity Program with a cap of $35,000 in employer contributions. Employees 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.

The College's contributions to the Local Annuity Program totaled $35,000 for the 2017-18 fiscal year, and there were no employee contributions for the 2017-18 fiscal year.

14. Construction Commitments

The College's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
New Library and Learning Center - Bradenton Campus	$ 14,499,932	$ 13,831,307	$ 668,625
Other Projects (1)	1,686,461	1,417,540	268,921
Total	$ 16,186,393	$ 15,248,847	$ 937,546

(1) Individual projects with a current balance committed of less than $1 million at June 30, 2018.

15. 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 to February 28, 2018, and up to $100 million from March 1, 2018 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.

16. 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:

Functional Classification	Amount
Instruction	$ 22,311,787
Academic Support	3,126,008
Student Services	7,006,923
Institutional Support	14,727,656
Operation and Maintenance of Plant	8,979,375
Scholarships and Waivers	11,098,086
Depreciation	3,521,670
Auxiliary Enterprises	724,805
Total Operating Expenses	$ 71,496,310

Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

	2017
Total OPEB Liability	
Service cost	$ 84,471
Interest	46,775
Difference between expected and actual experience	(3,063)
Changes of assumptions or other inputs	(56,392)
Benefit Payments	(142,252)
Net change in total OPEB liability	(70,461)
Total OPEB Liability - beginning, as Restated	1,624,578
Total OPEB Liability - ending	$ 1,554,117
Covered-Employee Payroll	$ 21,456,488
Total OPEB Liability as a percentage of covered-employee payroll	7.24%

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.046557966%	0.046860018%	0.050122319%	0.051729462%	0.049115172%
College's proportionate share of the FRS net pension liability	$ 13,771,534	$ 11,832,191	$ 6,473,970	$ 3,156,258	$ 8,454,907
College's covered payroll (2)	$ 25,200,557	$ 25,307,019	$ 23,869,764	$ 23,897,709	$ 24,494,086
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	54.65%	46.75%	27.12%	13.21%	34.52%
FRS Plan fiduciary net pension as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(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

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 1,386,658	$ 1,212,018	$ 1,142,756	$ 1,222,025	$ 1,133,095
FRS contributions in relation to the contractually required contribution	(1,386,658)	(1,212,018)	(1,142,756)	(1,222,025)	(1,133,095)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 25,882,975	$ 25,200,557	$ 25,307,019	$ 23,869,764	$ 23,897,709
FRS contributions as a percentage of covered payroll	5.36%	4.81%	4.52%	5.12%	4.74%

(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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.070143514%	0.072255548%	0.069465990%	0.071007249%	0.072933436%
College's proportionate share of the HIS net pension liability	$ 7,500,068	$ 8,421,085	$ 7,084,438	$ 6,639,351	$ 6,349,815
College's covered payroll (2)	$ 25,200,557	$ 25,307,019	$ 23,869,764	$ 23,897,709	$ 24,494,086
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	29.76%	33.28%	29.68%	27.78%	25.92%
HIS Plan fiduciary net pension as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(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

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 387,919	$ 371,220	$ 366,231	$ 265,542	$ 243,247
HIS contributions in relation to the contractually required HIS contribution	(387,919)	(371,220)	(366,231)	(264,542)	(243.247)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 23,368,637	$ 25,200,557	$ 25,307,019	$ 23,869,764	$ 23,897,709
HIS contributions as a percentage of covered payroll	1.66%	1.47%	1.45%	1.11%	1.02%

(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 Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The Municipal Bond Index Rate increased from 3.01 percent at the prior measurement date to 3.56 percent at the current measurement date.

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 7.60 percent to 7.10 percent for reporting purposes, however, decreased from 7.60 percent to 7.50 percent for funding purposes. Also, 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 increased from 2.85 percent to 3.58 percent.

Sherrill F. Norman, CPA
Auditor General

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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 State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, 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 15, 2019, 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 communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2019