STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-187
March 2019

SANTA FE COLLEGE

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. Jackson N. Sasser served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

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 John Davisson, CPA, and the audit was supervised by Denita K. Tyre, CPA.

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

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SANTA FE COLLEGE

TABLE OF CONTENTS

SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Santa Fe College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Santa Fe College 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

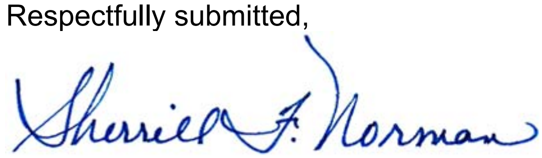
Required Supplementary Information

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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is 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 Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 22, 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 and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2018, and June 30, 2017, and the College's component unit, the Santa Fe College Foundation, Inc. for the fiscal years ended December 31, 2017, and December 31, 2016. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

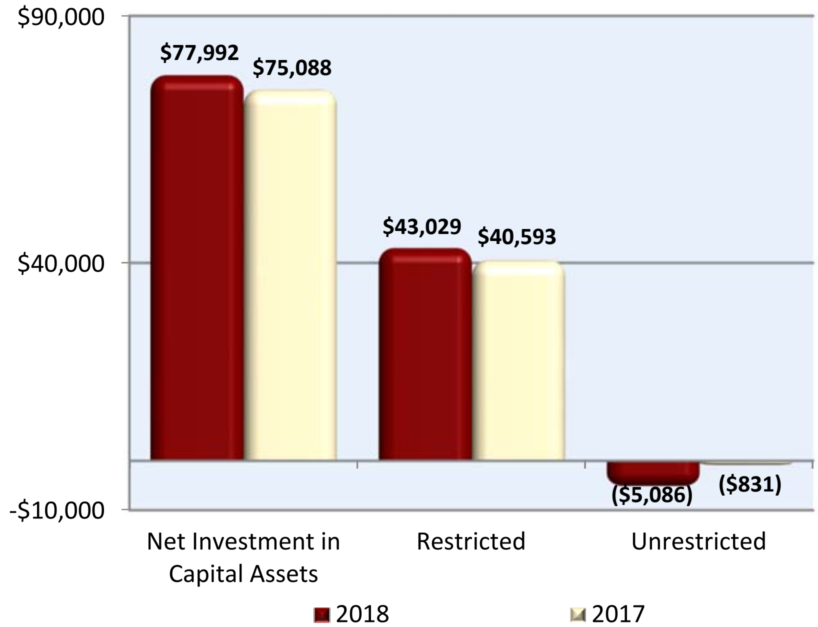
The College's assets totaled $168.5 million at June 30, 2018. This balance reflects a $4.1 million, or 2.5 percent, increase as compared to the 2016-17 fiscal year, resulting primarily from a decrease in accounts receivable ($1.5 million), an increase in the amount due from other governmental agencies ($719 thousand), an increase in capital assets ($1.2 million), and an increase in cash and cash equivalents ($3.6 million). Deferred outflows of resources at June 30, 2018, totaled $17.2 million, an increase of $2.3 million, or a 15.1 percent increase over the prior year. While assets grew, liabilities increased by $3.9 million, or 6.1 percent, totaling $66.6 million at June 30, 2018, primarily from increased net pension liabilities ($2.9 million), increased compensated absences payable ($1.1 million), increased other postemployment benefits payable ($825 thousand), and decreased bonds payable ($1.7 million). Deferred inflows of resources at June 30, 2018, totaled $3.1 million, an increase of $1.4 million, or 81.9 percent increase over the prior year. As a result, the College's net position increased by $1.1 million, resulting in a year-end balance of $115.9 million.

The College's operating revenues totaled $36.8 million for the 2017-18 fiscal year, representing a less than 1 percent decrease compared to the 2016-17 fiscal year due mainly to an increase in net student tuition and fees ($314 thousand), a decrease in grants and contracts ($433 thousand), a decrease in sales and services of educational departments ($166 thousand), and an increase in auxiliary enterprises ($207 thousand). Operating expenses totaled $117.7 million for the 2017-18 fiscal year, representing an increase of 9.1 percent as compared to the 2016-17 fiscal year due mainly to increases in personnel services ($4.7 million), scholarship and waivers ($1.6 million), other services and expenses ($3 million), and materials and supplies ($1.7 million) offset with a decrease in depreciation expense ($1.1 million).

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:

Net Position

(In Thousands)



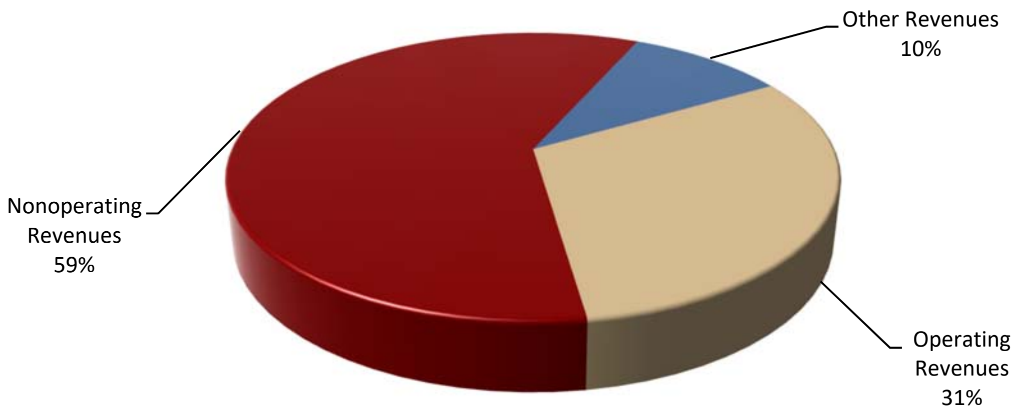
The College's net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The $2.9 million, or 3.9 percent, increase in net investment in capital assets compared to the prior fiscal year was primarily due to the greater amount of additions to capital assets over depreciation expense during the 2017-18 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of $2.4 million, or 6 percent, was primarily due to the increase in the amount of restricted expendable capital funding for the construction of new facilities as well as the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of the restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College's proportionate share of the net pension liability for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) pension plans, totaling $49.6 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to the financial statements for further details).

As more fully described in the Operating Revenues and Expenses sections which follow, College revenues and other support exceeded expenses in the fiscal year ending June 30, 2018. The following chart provides a graphical presentation of College revenues by category for the 2017-18 fiscal year:

Total Revenues
2017-18 Fiscal Year



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income all of which supported the operating expenses of the College. Operating revenues, comprising 31 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising of 10 percent of total revenues, include State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2017 calendar year, resulting in an increase in net position of $1.4 million, compared to a $3.7 million increase in the prior year. The net position increase during the 2017 calendar year was primarily due to net investment income ($3.3 million) offset with transfers of capital assets in support of the College ($1.3 million).

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and includes the following entities:

Primary Government

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

investments, with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

- Santa Fe College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

These two statements report Santa Fe College's net position and changes in them. You can think of the College's net position (assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources) as one way to measure the College's current financial health, or financial position. Over time, increases or decreases in the College's net position are one indication of whether its financial health is improving or deteriorating. You need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and safety of the campus, to assess the College's overall financial health.

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

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

Condensed Statement of Net Position

(In Thousands)

	Primary Government				Component Unit	
	College		Consortium (1)			
	6-30-18	6-30-17	6-30-18	6-30-17	12-31-17	12-31-16
Assets						
Current Assets	$ 44,820	$ 43,119	$ 67,456	$ 71,659	$ 19,786	$ 18,944
Capital Assets, Net	85,232	84,048	-	-	9,102	10,655
Other Noncurrent Assets	38,452	37,248	18,710	17,999	23,027	20,736
Total Assets	168,504	164,415	86,166	89,658	51,915	50,335
Deferred Outflows of Resources	17,176	14,920	-	-	-	-
Liabilities						
Current Liabilities	11,515	10,796	67,456	71,659	282	271
Noncurrent Liabilities	55,111	51,974	18,710	17,999	1,052	1,227
Total Liabilities	66,626	62,770	86,166	89,658	1,334	1,498
Deferred Inflows of Resources	3,119	1,715	-	-	2,294	1,949
Net Position						
Net Investment in Capital Assets	77,992	75,088	-	-	9,102	10,655
Restricted	43,029	40,593	-	-	37,598	34,791
Unrestricted	(5,086)	(831)	-	-	1,587	1,442
Total Net Position	$ 115,935	$ 114,850	$ -	$ -	$ 48,287	$ 46,888
Increase in Net Position	$ 1,085	0.9%	$ -		$ 1,399	3.0%

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

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

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

(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**12-31-17**	**12-31-16**
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 28,821	$ 28,507	$ -	$ -
Federal Grants and Contracts	3,435	3,533	-	-
State and Local Grants and Contracts	406	748	-	-
Nongovernmental Grants and Contracts	320	313	578	477
Sales and Services of Educational Departments	1,015	1,181	-	-
Auxiliary Enterprises	2,403	2,196	-	-
Other Operating Revenues	387	332	752	919
Total Operating Revenues	36,787	36,810	1,330	1,396
Less, Operating Expenses	117,721	107,940	2,285	2,123
Operating Loss	(80,934)	(71,130)	(955)	(727)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	44,423	42,881	-	-
Federal and State Grants	23,141	22,492	-	-
Gifts, Grants, and Contracts	2,175	2,107	-	-
Other Nonoperating Revenues (Expenses), Net	410	(620)	3,344	2,788
Net Nonoperating Revenues	70,149	66,860	3,344	2,788
Income (Loss) Before Other Revenues	(10,785)	(4,270)	2,389	2,061
State Capital Appropriations	6,976	4,023	-	-
Endowment Principal Additions	-	-	205	1,570
Capital Grants, Contracts, Gifts, and Fees	4,612	3,293	-	-
Other Revenues (Expenses)	1,057	-	(1,195)	27
Net Increase In Net Position	1,860	3,046	1,399	3,658
Net Position, Beginning of Year	114,850	111,804	46,888	44,560
Adjustments to Beginning Net Position (1)	(775)	-	-	(1,330)
Net Position, Beginning of Year, as Restated	114,075	111,804	46,888	43,230
Net Position, End of Year	$ 115,935	$ 114,850	$ 48,287	$ 46,888

(1) Adjustments to beginning net position is due to the implementation of GASB Statement No. 75, which is a change in the accounting principle that requires a change in accounting and financial reporting for postemployment benefits other than pensions (OPEB).

Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are defined by GASB as nonoperating. College revenues increased by $8 million, or 7.2 percent, as compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- Net student tuition and fee revenue increased by $314 thousand, or 1.1 percent, as a result of a slight decrease in enrollment, offset by a decrease in the scholarship allowance.
- Grants and contracts decreased by $433 thousand, or 9.4 percent, primarily due to a decrease in State grants.
- Auxiliary enterprise revenue increased by $207 thousand, or 9.4 percent, as a result of the College's inter-local agreement with the City of Gainesville for management services of the Gainesville Technology Entrepreneurship Center Incubator.

Nonoperating and Other Revenues and Grants:

- State noncapital appropriations increased by $1.5 million, or 3.6 percent, primarily due to increased funding in Florida College System Program funds.
- Federal and State student financial aid increased by $649 thousand, or 2.9 percent, due primarily to increases in State program scholarship funds.
- Gifts, grants and contracts increased by $68 thousand, or 3.2 percent, as a result of increased enrollment by dual enrolled students.
- Investment income increased by $1 million, or 469.2 percent, principally due to reduction in unrealized losses on investments and an increase in interest earned.
- State capital appropriations increased by $3 million, or 73.4 percent. This was due to increased Public Education Capital Outlay funding from the prior fiscal year.
- Capital grants, contracts, gifts, and fees increased by $1.3 million, or 40.1 percent, primarily due to a transfer of capital assets from the Foundation to the College.
- Other revenues increased by $1.1 million due to the recording of a premium and gain from the refinancing of capital improvement bonds.

Component unit revenues decreased by $838 thousand, or 14.5 percent, as compared to the prior fiscal year as a result of the following factors:

- Operating revenues decreased $66 thousand, or 4.7 percent, primarily from increased cash contributions and rental income offset by a decrease in in-kind contributions.
- Other nonoperating revenues increased by $556 thousand, or 20 percent, mainly from unrealized gains on securities and real estate investments.
- Endowment principal additions decreased $1.4 million, or 86.9 percent, as a result of a decrease in amounts designated by donors to be placed in permanent endowments.

<u>Operating Expenses</u>

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

The following summarizes operating expenses by natural classification for the College (none are reported for the Consortium) and its component unit for the respective fiscal years:

Operating Expenses
For the Fiscal Years Ended

(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**12-31-17**	**12-31-16**
Personnel Services	$ 69,139	$ 64,404	$ -	$ -
Scholarships and Waivers	17,221	15,640	801	729
Utilities and Communications	2,427	2,266	-	-
Contractual Services	6,420	6,781	-	-
Other Services and Expenses	6,953	3,940	1,102	1,010
Materials and Supplies	10,956	9,249	-	-
Depreciation	4,605	5,660	382	384
Total Operating Expenses	$ 117,721	$107,940	$ 2,285	$ 2,123

College total operating expenses increased by $9.8 million, or 9.1 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided a 9.5 percent recurring salary increase to all full-time personnel and a 4 percent increase to part-time personnel. These increases were complemented with the recording of a net pension and accrued leave expense totaling $1.3 million. As a result, personnel services increased by $4.7 million, or 7.4 percent, from the prior fiscal year.
- Scholarships and waivers provided to students increased by $1.6 million, or 10.1 percent, primarily due to an increase in Florida's Bright Futures scholarship accompanied by a decrease in scholarship allowances. Scholarship expenses, similar to tuition and fee revenue, are also shown net of scholarship allowances (amounts received from other than students and third-party payers).
- Utilities and communications increased by $161 thousand, or 7.1 percent, primarily due to an increase in electricity, water, sewer, and gas expenses primarily due to the building addition at the Institute of Public Safety Kirkpatrick Center.
- Contractual services decreased by $361 thousand, or 5.3 percent, primarily due to a decrease in contractual and technology services.
- Other services and expenses increased by $3 million, or 76.5 percent, primarily due to an increase in bad debt expense associated with the leases of managed space.
- Materials and supplies increased by $1.7 million, or 18.5 percent, which is attributable primarily to increases in expenses for non-capitalized renovations and remodeling, minor equipment, and software expenses.
- Depreciation expense decreased by $1.1 million, or 18.6 percent, as a result of several buildings and other structures reaching full amortization.

Total operating expenses for the component unit increased $162 thousand, or 7.6 percent, primarily due to increases in scholarships and academic program support expenses.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

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

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	College		Consortium	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Cash Provided (Used) by:				
Operating Activities	$(70,716)	$(64,245)	$ (3,593)	$ 5,763
Noncapital Financing Activities	69,748	67,493	-	-
Capital and Related Financing Activities	3,736	122	-	-
Investing Activities	802	(249)	10	1
Net Increase (Decrease) in Cash and Cash Equivalents	3,570	3,121	(3,583)	5,764
Cash and Cash Equivalents, Beginning of Year	59,921	56,800	69,860	64,096
Cash and Cash Equivalents, End of Year	$ 63,491	$ 59,921	$ 66,277	$ 69,860

The College's cash and cash equivalents increased during the 2017-18 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities increased $6.5 million as compared to the prior fiscal year. The primarily components of this change were increases in cash inflows from auxiliary enterprises ($2.3 million), grants and contracts ($301 thousand) offset by increases in payments to suppliers ($4.4 million), payments for salary and benefits ($3.3 million), and payments for scholarships ($1.6 million).
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations ($44.4 million) and Federal and State student financial aid ($23.1 million). Cash inflows from noncapital financing increased $2.3 million, as compared to the prior fiscal year, predominantly due to an increase in State noncapital appropriations ($1.5 million) and Federal and State student financial aid ($648 thousand).
- The primary sources of cash inflows for capital and related financing activities are State capital appropriations ($5.9 million) and capital grants and gifts ($3.4 million). Net cash inflows for capital and related financing activities increased $3.6 million as compared to the prior fiscal year, primarily due to an increase in State capital appropriations ($1.4 million), proceeds from the refinancing of capital improvement bonds ($1.1 million), and a decrease in the purchase of capital assets ($1.2 million).

- Cash inflows for investing activities of the College increased by $1.1 million primarily due to an increase in investment income net of realized and unrealized capital gains and losses.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $201.8 million in capital assets, less accumulated depreciation of $116.5 million, for net capital assets of $85.2 million. Depreciation charges for the current fiscal year totaled $4.6 million. The following table summarizes the College's capital assets activity for the fiscal year ending June 30, 2018:

Capital Assets, Net at June 30: College

(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 6,142	$ 962	$ -	$ 7,104
Artwork and Artifacts	18	-	-	18
Buildings	140,580	296	-	140,876
Other Structures and Improvements	34,156	422	-	34,578
Furniture, Machinery, and Equipment	10,019	1,014	597	10,436
Construction in Progress	5,615	3,565	421	8,759
Total	196,530	6,259	1,018	201,771
Less, Accumulated Depreciation:				
Buildings	73,602	3,039	-	76,641
Other Structures and Improvements	30,699	535	-	31,234
Furniture, Machinery, and Equipment	8,181	1,031	548	8,664
Total Accumulated Depreciation	112,482	4,605	548	116,539
Capital Assets, Net	$ 84,048	$ 1,654	$ 470	$ 85,232

The component unit had $14.8 million in capital assets, less accumulated depreciation of $5.7 million, for net capital assets of $9.1 million. Depreciation charges for the current fiscal year totaled $382 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2017, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 3,517	$ -	$ 888	$ 2,629
Art Collection	571	73	-	644
Equipment	4	-	-	4
Buildings and Improvements	11,488	-	906	10,582
Film Costs (Depreciable)	962	14	-	976
Total	16,542	87	1,794	14,835
Less, Accumulated Depreciation:	5,887	382	536	5,733
Capital Assets, Net	$ 10,655	$ (295)	$ 1,258	$ 9,102

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, included the construction, renovation, and utility upgrades at the Institute of Public Safety Kirkpatrick Center ($7 million), and the renovation and addition to the Police Department Building T ($1 million).

The College has $2.3 million in capitalized construction contract commitments as of June 30, 2018. The contract commitments are for projects that include the expansion of the Institute of Public Safety Kirkpatrick Center, expansion of the College's police station (Building T), reroofing (Building DA), planning expansion of the Blount Center, planning for Institute of Technology and Manufacturing, and utility upgrades. The College's major construction commitments at June 30, 2018, are as follows:

Major Construction Commitments: College

(In Thousands)

	Amount (In Thousands)
Total Committed	$ 11,020
Completed to Date	8,759
Balance Committed	$ 2,261

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

Debt Administration

As of June 30, 2018, the College had $7.2 million in outstanding capital improvement bonds payable versus $9 million at the end of the prior fiscal year, representing a decrease of $1.8 million, or 20 percent from the prior fiscal year. Proceeds from bonds were used to construct and renovate College facilities.

Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. The College's current financial and capital plans indicate that additional financial resources will be necessary to maintain its present level of services. Fifty-two percent of the College's planned recurring 2018-19 operating funds are received through State noncapital appropriations; with tuition and fees from student enrollment providing most of the balance of resources. State allocations for the 2018-19 fiscal year were higher than the 2017-18 fiscal year allocations. While the revenue projections for the State continue to be positive, the demands for State resources continue to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future. The College continues to designate reserves in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

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

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

REQUESTS FOR INFORMATION

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

SANTA FE COLLEGE
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	$ 27,014,678	$ 223,382
Restricted Cash and Cash Equivalents	5,120,239	1,495,615
Investments	1,325,549	234,637
Restricted Investments	-	17,667,449
Accounts Receivable, Net	686,797	165,173
Due from Other Governmental Agencies	10,431,928	-
Due from Component Unit	81,160	-
Inventories	81,299	-
Prepaid Expenses	78,780	-
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	66,277,274	-
Restricted Investments	1,178,391	-
Total Current Assets	112,276,095	19,786,256
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	31,355,640	-
Investments	7,096,791	1,120,644
Restricted Investments	-	6,621,720
Endowment Investments	-	15,284,369
Depreciable Capital Assets, Net	69,350,877	5,824,368
Nondepreciable Capital Assets	15,880,682	3,277,981
Risk Management Consortium:		
Restricted Deposit	3,637,751	-
Restricted Investments	15,071,982	-
Total Noncurrent Assets	142,393,723	32,129,082
TOTAL ASSETS	254,669,818	51,915,338
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	86,730	-
Pensions	17,089,763	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,176,493	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,826,594	15,351
Salary and Payroll Taxes Payable	4,557,762	-
Retainage Payable	434,231	-
Due to Other Governmental Agencies	26,769	-
Unearned Revenue	1,458,756	-
Annuity Trust Obligations	-	267,149
Deposits Held for Others	1,492,091	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	595,000	-
Compensated Absences Payable	722,270	-
Other Postemployment Benefits Payable	86,730	-
Net Pension Liability	315,079	-
Risk Management Consortium:		
Deposit Held for Others	67,455,665	-
Total Current Liabilities	78,970,947	282,500

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

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	6,645,000	-
Compensated Absences Payable	9,281,680	-
Other Postemployment Benefits Payable	1,248,623	-
Net Pension Liability	37,935,966	-
Annuity Trust Obligations	-	1,051,784
Risk Management Consortium:		
Deposits Held for Others	18,709,733	-
Total Noncurrent Liabilities	73,821,002	1,051,784
TOTAL LIABILITIES	152,791,949	1,334,284
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	43,908	-
Pensions	3,075,598	-
Deferred Amounts Related to Irrevocable Split-Interest Agreements	-	2,294,009
TOTAL DEFERRED INFLOWS OF RESOURCES	3,119,506	2,294,009
NET POSITION		
Net Investment in Capital Assets	77,991,559	9,102,349
Restricted:		
Nonexpendable:		
Endowment	-	27,565,000
Expendable:		
Grants	1,500,562	-
Loans	520,742	-
Scholarships	-	2,918,188
Capital Projects	41,007,790	-
Other	-	7,115,070
Unrestricted	(5,085,797)	1,586,438
TOTAL NET POSITION	$ 115,934,856	$ 48,287,045

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

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SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of 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 $8,552,901	$ 28,821,038	$ -
Federal Grants and Contracts	3,435,491	-
State and Local Grants and Contracts	405,689	-
Nongovernmental Grants and Contracts	320,028	578,304
Sales and Services of Educational Departments	1,014,508	-
Auxiliary Enterprises	2,402,729	-
Other Operating Revenues	387,459	752,048
Total Operating Revenues	36,786,942	1,330,352
EXPENSES		
Operating Expenses:		
Personnel Services	69,139,258	-
Scholarships and Waivers	17,220,788	800,556
Utilities and Communications	2,426,480	-
Contractual Services	6,420,462	-
Other Services and Expenses	6,952,591	1,102,349
Materials and Supplies	10,956,351	-
Depreciation	4,605,429	381,513
Total Operating Expenses	117,721,359	2,284,418
Operating Loss	(80,934,417)	(954,066)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	44,423,508	-
Federal and State Student Financial Aid	23,140,706	-
Gifts, Grants, and Contracts	2,175,068	-
Investment Income	815,366	3,343,934
Gain on Disposal of Capital Assets	10,355	-
Interest on Capital Asset-Related Debt	(415,825)	-
Net Nonoperating Revenues	70,149,178	3,343,934
Income (Loss) Before Other Revenues (Expenses)	(10,785,239)	2,389,868
State Capital Appropriations	6,975,660	-
Capital Grants, Contracts, Gifts, and Fees	4,612,039	-
Endowment Principal Additions	-	205,055
Transfers in Support of College	-	(1,258,960)
Other Revenues	1,056,620	63,500
Total Other Revenues (Expenses)	12,644,319	(990,405)
Increase in Net Position	1,859,080	1,399,463
Net Position, Beginning of Year	114,850,286	46,887,582
Adjustment to Beginning Net Position	(774,510)	-
Net Position, Beginning of Year, as Restated	114,075,776	46,887,582
Net Position, End of Year	$ 115,934,856	$ 48,287,045

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

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

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 28,699,426
Grants and Contracts	4,507,613
Payments to Suppliers	(24,358,592)
Payments for Utilities and Communications	(2,426,480)
Payments to Employees	(52,319,246)
Payments for Employee Benefits	(13,458,816)
Payments for Scholarships	(17,220,788)
Auxiliary Enterprises	3,716,142
Sales and Services of Educational Departments	1,014,508
Other Receipts	1,129,740
Risk Management Consortium:	
Other Payments	(3,593,198)
Net Cash Used by Operating Activities	(74,309,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	44,423,508
Federal and State Student Financial Aid	23,140,706
Federal Direct Loan Program Receipts	17,042,328
Federal Direct Loan Program Disbursements	(17,033,163)
Gifts, Grants, and Contracts	2,175,068
Net Cash Provided by Noncapital Financing Activities	69,748,447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	1,056,620
State Capital Appropriations	5,922,057
Capital Grants and Gifts	3,353,038
Proceeds from Sale of Capital Assets	3,696
Purchases of Capital Assets	(5,468,176)
Principal Paid on Capital Debt and Leases	(715,000)
Interest Paid on Capital Debt and Leases	(415,825)
Net Cash Provided by Capital and Related Financing Activities	3,736,410
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,943,893
Purchases of Investments	(6,304,279)
Investment Income	1,161,952
Risk Management Consortium:	
Proceeds from Sales and Maturities of Investments	11,707,635
Purchases of Investments	(11,697,688)
Net Cash Provided by Investing Activities	811,513
Net Decrease in Cash and Cash Equivalents	(13,321)
Cash and Cash Equivalents, Beginning of Year	129,781,152
Cash and Cash Equivalents, End of Year	$ 129,767,831

SANTA FE COLLEGE
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	$	(80,934,417)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		4,605,429
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables, Net		1,480,101
Due from Other Governmental Agencies		316,909
Due from Component Unit		(51,134)
Inventories		(29,186)
Prepaid Expenses		(2,293)
Accounts Payable		362,080
Salary and Payroll Taxes Payable		171,323
Due to Other Governmental Agencies		(30,485)
Unearned Revenue		(207,673)
Deposits Held for Others		412,979
Compensated Absences Payable		1,120,200
Other Postemployment Benefits Payable		(8,351)
Net Pension Liability		2,871,353
Deferred Outflows of Resources Related to Other Postemployment Benefits		(28,058)
Deferred Inflows of Resources Related to Other Postemployment Benefits		43,908
Deferred Outflows of Resources Related to Pensions		(2,169,665)
Deferred Inflows of Resources Related to Pensions		1,360,486
Risk Management Consortium:		
Restricted Deposit		(100,827)
Deposits Held for Others		(3,492,370)
NET CASH USED BY OPERATING ACTIVITIES	$	(74,309,691)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES		
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$	(357,364)
Gains from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$	6,659
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.	$	1,267,483

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the

College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 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. 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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College and Consortium consider all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College and Consortium consider amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2018, the College and Consortium reported as cash equivalents at fair value $53,328,506 and $56,144,031, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 6.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2018, the College and Consortium reported as cash equivalents $5,348,773 and $2,385, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The 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, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
    - Computer Equipment – 3 years

- o Vehicles, Office Machines, and Educational Equipment – 5 years
- o Furniture, Pianos – 7 years

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

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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. 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 statements 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 $774,510 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $833,182 to $1,343,704 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and the beginning balance for deferred outflows of resources was restated to $58,672. The beginning balance for deferred inflows was not restated.

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 liability) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (12,318,522)
Auxiliary Funds	7,232,725
Total	$ (5,085,797)

5. Restricted Deposit

Pursuant to a collateral agreement, the Consortium has a $3,637,751 collateral deposit held by an insurance company (company) for workers' compensation insurance claims. Although the Consortium is required to reimburse the company for claims paid, the company is authorized to use the collateral to pay any and all of the Consortium's obligations owed under the agreement. The deposit is held by the company in an interest-bearing account; however, the deposit is exposed to custodial credit risk because it is not covered by depository insurance and is uncollateralized. The Consortium does not have a policy for custodial credit risk.

6. Investments

College and Consortium

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

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

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

Fair Value Measurement. The College and the Consortium categorize 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.

All of the College's and the Consortium's recurring fair value measurements as of June 30, 2018, are valued using a matrix pricing model (Level 2 inputs), with the exception of United States Treasury Notes which are valued using quoted market prices (Level 1 inputs).

The College's and the Consortium's investments at June 30, 2018, are reported as follows:

		Fair Value Measurements Using	
Investments by fair value level - College	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
United States Treasury Notes	$ 4,362,582	$ 4,362,582	$ -
Obligations of United States Government and Government-Sponsored Enterprises	2,226,195	-	2,226,195
Commercial Paper	744,445	-	744,445
Corporate Notes	406,231	-	406,231
Federal Agency Collateralized Mortgage Obligations	293,538	-	293,538
Mortgage-Backed Pass-Throughs	373,991	-	373,991
Money Market Mutual Funds	15,358	-	15,358
Total investments by fair value level - College	8,422,340	4,362,582	4,059,758
Investments by fair value level - Consortium			
United States Treasury Notes	3,264,782	3,264,782	-
Obligations of United States Government and Government-Sponsored Enterprises	441,980	-	441,980
Commercial Paper	763,782	-	763,782
Corporate Notes	6,122,255	-	6,122,255
Federal Agency Collateralized Mortgage Obligations	288,261	-	288,261
Foreign Notes	2,072,842	-	2,072,842
Asset-Backed Securities	2,241,376	-	2,241,376
Mortgage-Backed Pass-Throughs	943,756	-	943,756
Money Market Mutual Funds	111,339	-	111,339
Total investments by fair value level - Consortium	16,250,373	3,264,782	12,985,591
Total investments by fair value level - College and Consortium	$ 24,672,713	$ 7,627,364	$ 17,045,349

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

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policy of the College limits the maximum average duration of the investment portfolio to no greater than 120 percent of the target benchmarks' average duration. The

College’s benchmark is the Merrill Lynch 1-3 Year U.S. Treasury Index. The investment policy of the Consortium limits the maximum effective duration of the aggregate portfolio to 3 years. The performance benchmark for the Consortium is the Merrill Lynch 1-5 Year U.S. Treasury Index.

At June 30, 2018, the Merrill Lynch 1-3 and 1-5 Year U. S. Treasury Indexes’ effective durations were 1.80 and 2.58 years, respectively. The effective duration of the College’s and the Consortium’s portfolios at June 30, 2018, were 1.70 and 2.41 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities from date of purchase is 5 years for the College and 5.5 years for the Consortium. At June 30, 2018, the College and Consortium’s longest individual security effective duration was 4.39 years and 4.56 years, respectively. Furthermore, the College’s investment policy is designed to limit principal fluctuation so that no more than 20 percent of the portfolio has an effective duration greater than 3 years. An additional objective of the College is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolio has an effective duration of 1 year or less.

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

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

As of June 30, 2018, using the above scale, the College’s total quality rating was 9.04.

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

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity
U.S. Treasury		100%		
Government National Mortgage Association (GNMA)		40%		
Other U.S. Government Guaranteed; (e.g., Agency for International Development, Government Trust Certificates)	100%	10%	N/A	5.50 Years (5.50 Years avg. life[4] for GNMA)
Federal Agency/Government Sponsored Enterprise (GSE): Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks		40%[3]		
Federal Agency/GSE other than those above	75%	10%	N/A	5.50 Years
Supranationals where U.S. is a shareholder and voting member		10%		5.50 Years
Supranationals other than those above	25%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Foreign Sovereign Governments (Organization for Economic Cooperation and Development countries only) and Canadian Provinces	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Foreign Sovereign Agencies (OECD countries only)	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Corporates	50%[2]	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, BBB/Baa or equivalent)	5.50 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years
Agency Mortgage-Backed Securities (MBS)	25%	40%[3]	N/A	5.50 Years Avg. Life[4]
Asset-Backed Securities (ABS)	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life[4]
Non-Negotiable Collateralized Bank Deposits or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years
Commercial Paper	50%[2]	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Bankers' Acceptances	10%[2]	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO), then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent). If the counterparty is a Federal Reserve Bank, no rating is required	1 Year
Money Market Funds	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Fixed-Income Mutual Funds & Exchange-Traded Funds	20%	10%	N/A	N/A

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity
Intergovernmental Pools	50%	25%	Highest Fund Quality and Volatility Rating Categories by NRSROs who rate the fund (AAAm/AAAf, S1, or equivalent)	N/A

(1) Rating by at least one SEC-registered NRSRO, unless otherwise noted. ST=Short-term; LT=Long-term.
(2) Maximum allocation to all corporate and bank credit instruments is 50% combined.
(3) Maximum exposure to any on Federal agency, including the combined holdings of Agency debt and Agency ABS, is 40%.
(4) The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

At June 30, 2018, the investments of the College and the Consortium in United States Treasury Notes, obligations of the United States Government and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, commercial paper, foreign notes, asset-backed securities, and money market funds were rated by Standard & Poor's as follows:

Investment Type	Fair Value	Credit Quality Rating
College		
United States Treasury Notes	$ 4,362,582	N/A
Mortgage-Backed Pass-Throughs	$ 373,991	AA+
Federal Agency Collateralized Mortgage Obligations	$ 293,538	AA+
Obligations of United States Government and Government-Sponsored Enterprises	$ 2,226,195	AA+
Corporate Notes	$ 406,231	AAA
Commercial Paper	$ 744,445	A-1
Money Market Mutual Funds	$ 15,358	AAAm
Consortium		
United States Treasury Notes	$ 3,264,782	N/A
Mortgage-Backed Pass-Throughs	$ 943,756	AA+
Federal Agency Collateralized Mortgage Obligations	$ 288,261	AA+
Obligations of United States Government and Government-Sponsored Enterprises	$ 441,980	AA+
Corporate Notes	$ 6,122,255	BBB to AA
Foreign Notes	$ 2,072,842	A- to AAA
Commercial Paper	$ 763,782	A-1
Asset-Backed Securities	$ 2,241,376	AAA
Money Market Mutual Funds	$ 111,339	AAAm

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and: (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the

College's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third-party custodial institution. The College's and the Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolio's individual corporate exposure may be invested in securities of a single issuer. The maximum corporate exposure at June 30, 2018, was as follows:

- College: 3%
- Consortium: 3.7%

Component Unit Investments.

Mutual Funds and Corporate Common Stocks are valued based on prices quoted in the active markets and are categorized as Level 1 in the fair value hierarchy. Corporate Preferred Stocks, Corporate Bonds, U.S. Federal Agency Bonds, and Municipal Bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. Real estate is valued using the capitalization rate to determine fair value and is categorized as Level 3 in the fair value hierarchy.

Investments held by the Foundation at December 31, 2017, were 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)**
Mutual Funds	$ 733,755	$ 733,755	$ -	$ -
Corporate Common Stocks	13,115,225	13,115,225	-	-
Corporate Preferred Stocks	1,761,795	-	1,761,795	-
Corporate Bonds	19,343,707	-	19,343,707	-
U.S. Federal Agency Bonds	1,331	-	1,331	-
Municipal Bonds	1,187,243	-	1,187,243	-
Limited Partnerships	269,189	-	-	269,189
Real Estate	4,516,574	-	-	4,516,574
Total Component Unit Investments	$ 40,928,819	$ 13,848,980	$ 22,294,076	$ 4,785,763

There was $1,795,346 in unrealized appreciation in the fair value of investments during the year ended December 31, 2017. The carrying value of investments at December 31, 2017, includes all material changes in fair value, including both realized and unrealized gains and losses that occurred both during the current year and previous years.

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

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method. The durations for the Foundation investments as of December 31, 2017, are as follows:

Maturities in Years	**% of Total Assets**		**Total**
Less than 1	6.42%	$	2,625,643
1 to 2	8.65%		3,540,961
3 to 5	5.40%		2,209,602
6 to 10	18.58%		7,602,829
11 to 15	5.89%		2,409,976
16 to 20	2.44%		999,142
21 Plus	4.26%		1,747,649
None	48.36%		19,793,017
Total	100.00%	$	40,928,819

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case, the Foundation's Board of Directors, through the Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States Government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. The credit ratings, by nationally recognized rating agencies (e.g., Moody's Investors Service) of the portfolio held by the Foundation at December 31, 2017, was as follows:

Rating	% of Total Assets	Fair Value
Aaa/AAA	2.27%	$ 927,589
Aa/AA	3.33%	1,363,437
A/A	20.48%	8,381,439
Baa/BBB	23.77%	9,728,389
Below Investment Grade	3.02%	1,236,114
Total Rated	52.87%	21,636,968
Government Backed	0.00%	1,331
Corporate Stocks	33.64%	13,770,219
Mutual Funds	1.79%	733,755
Corporate Bonds	0.00%	783
Limited Partnerships	0.66%	269,189
Real Estate	11.04%	4,516,574
Total Non-Rated	47.13%	19,291,851
Total Investments	100.00%	$ 40,928,819

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

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the entire portfolio. At December 31, 2017, no single issues represented more than 2 percent of the total portfolio value.

7. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant and State Bright Futures program repayments due from students; agency billings; investment income; commissions and rent due from vendors under contract for food, vending, and bookstore operations; contract and grant reimbursements due from third parties; and rent due from lessees of managed space. The receivables for students total $314,216 and are reported net of a $309,901 allowance for uncollectable student accounts. The receivable for rent due from leases of managed space totals $49,172 and are reported net of a $2,447,946 allowance for uncollectable accounts receivable. Other receivables are considered to be fully collectible.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily includes $9,582,150 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $542,422 of Federal grant allocations due from the Federal government primarily for the following grants:

- GeoPaths – National Science Foundation
- Training for Manufactured Construction – U.S. Department of Labor
- Adult Education and Family Literacy – U.S. Department of Education

- SF2UF: A New Bridges Baccalaureate Program – U.S. Department of Health and Human Services
- Coral Research – National Science Foundation
- Upward Bound – U.S. Department of Education
- Talent Search – U.S. Department of Education
- Little School Food Program – U.S. Department of Agriculture
- Women's Economic Stability Initiative – U.S. Corporation for National and Community Service
- Federal Work Study – U.S. Department of Education
- Perkins – U.S. Department of Education
- Innovative Product Development Center – U.S. Department of Commerce

9. Due From Component Unit

The $81,160 reported as due from component unit includes the remaining amount owed to the College by the Foundation for capital expenses for the Athletic Ball Field project covered by the Foundation, and donor contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2018. The College's component unit's financial statements are reported for the calendar year ended December 31, 2017, and there is no amount reported as due to the College by the Foundation.

10. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 6,141,359	$ 962,941	$ -	$ 7,104,300
Artwork and Artifacts	18,000	-	-	18,000
Construction in Progress	5,615,428	3,564,610	421,656	8,758,382
Total Nondepreciable Capital Assets	$ 11,774,787	$ 4,527,551	$ 421,656	$ 15,880,682
Depreciable Capital Assets:				
Buildings	$ 140,579,794	$ 296,019	$ -	$ 140,875,813
Other Structures and Improvements	34,156,405	421,656	-	34,578,061
Furniture, Machinery, and Equipment	10,018,704	1,014,759	597,338	10,436,125
Total Depreciable Capital Assets	184,754,903	1,732,434	597,338	185,889,999
Less, Accumulated Depreciation:				
Buildings	73,601,935	3,039,301	-	76,641,236
Other Structures and Improvements	30,699,008	535,299	-	31,234,307
Furniture, Machinery, and Equipment	8,180,972	1,030,829	548,222	8,663,579
Total Accumulated Depreciation	112,481,915	4,605,429	548,222	116,539,122
Total Depreciable Capital Assets, Net	$ 72,272,988	$ (2,872,995)	$ 49,116	$ 69,350,877

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2017, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,517,393	$ -	$ 888,220	$ 2,629,173
Art Collection	570,895	73,538	-	644,433
Equipment	4,375	-	-	4,375
Total Nondepreciable Capital Assets	$ 4,092,663	$ 73,538	$ 888,220	$ 3,277,981
Depreciable Capital Assets:				
Buildings and Improvements	$ 11,488,058	$ -	$ 906,282	$ 10,581,776
Film Costs	961,992	13,811	-	975,803
Total Depreciable Capital Assets	12,450,050	13,811	906,282	11,557,579
Less, Accumulated Depreciation:				
Buildings and Improvements	5,213,847	285,314	535,542	4,963,619
Film Costs	673,393	96,199	-	769,592
Total Accumulated Depreciation	5,887,240	381,513	535,542	5,733,211
Total Depreciable Capital Assets, Net	$ 6,562,810	$ (367,702)	$ 370,740	$ 5,824,368

11. Unearned Revenue

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

Description	Amount
Student Tuition and Fees	$ 1,429,996
Grant and Contract Revenue	25,480
Rent Revenue	3,280
Total Unearned Revenue	$ 1,458,756

12. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 8,960,000	$ 7,240,000	$ 8,960,000	$ 7,240,000	$ 595,000
Compensated Absences Payable	8,883,750	1,672,856	552,656	10,003,950	722,270
Other Postemployment Benefits Payable (1)	1,343,704	99,844	108,195	1,335,353	86,730
Net Pension Liability	35,379,692	19,849,909	16,978,556	38,251,045	315,079
Total Long-Term Liabilities	$ 54,567,146	$ 28,862,609	$ 26,599,407	$ 56,830,348	$ 1,719,079

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

Bonds Payable. The SBA, Division of Bond Finance, issues Capital Improvement Revenue Bonds on behalf of the College. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Section 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Sections 1009.22(6) and 1009.23(11), Florida Statutes, by the Series 2018A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2018A bonds. The Series 2018A were issued for the purpose of refunding the outstanding Series 2006A bonds. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2018A bonds will share the lien of such additional bonds on the Series 2018A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds.

On April 12, 2018, the Division of Bond Finance, issued the Florida College System Capital Improvement Revenue Refunding Bonds, Series 2018A to effectuate a savings in debt service costs. The College's portion of the bonds, $7,240,000, plus a premium of $969,994, along with $35,006 held for debt service, was used to call the remaining outstanding SBE Capital Improvement Revenue Bonds, Series 2006A, totaling $8,245,000. As a result of the refunding, the College had a debt service savings of $1,005,000 and obtained an economic gain of $86,626.

The College had the following bonds payable at June 30, 2018:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2018A	$ 7,240,000	4.00 - 5.00	2027

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Capital Improvement Revenue Bonds Principal	Interest	Total
2019	$ 595,000	$ 434,170	$ 1,029,170
2020	695,000	332,250	1,027,250
2021	730,000	297,500	1,027,500
2022	770,000	261,000	1,031,000
2023	805,000	222,500	1,027,500
2024-2027	3,645,000	466,500	4,111,500
Total	$ 7,240,000	$ 2,013,920	$ 9,253,920

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 $10,003,950. The current portion of the compensated absences liability, $722,270, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

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

General Information about the OPEB Plan

Plan Description. The College contributes to a single-employer defined benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary health coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action of the Board. Neither the College nor the Consortium issue a stand-alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity. 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 benefits for retirees and their dependents. In addition to the implicit subsidy above, the OPEB Plan also provides all retirees with $5,000 of life insurance benefits.

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	70
Inactive Employees Entitled to But Not Yet Receiving Benefits	58
Active Employees	675
Total	803

Total OPEB Liability

The College's total OPEB liability of $1,335,353 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	4.00 – 7.80 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent for 2023 and later years
Medicare	5.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2020

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	$ 1,343,704
Changes for the year:	
Service Cost	60,275
Interest	39,569
Changes in Assumptions or Other Inputs	(49,523)
Benefit Payments	(58,672)
Net Changes	(8,351)
Balance at 6/30/18	$ 1,335,353

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 due to a change in the Municipal Bond Rate.

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	$1,427,655	$1,335,353	$1,252,103

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	$1,200,297	$1,335,353	$1,497,245

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 $94,229. 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
Change of assumptions or other inputs	$ -	$ 43,908
Transactions subsequent to the measurement date	86,730	-
Total	$ 86,730	$ 43,908

Of the total amount reported as deferred outflows of resources related to OPEB, $86,730, resulting from transactions 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	$ (5,615)
2020	(5,615)
2021	(5,615)
2022	(5,615)
2023	(5,615)
Thereafter	(15,833)
Total	$ (43,908)

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 $38,251,045. Note 13. includes a complete discussion of defined benefit pension plans.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 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 $5,336,913 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* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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
Special Risk Class	3.00

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
FRS, Special Risk	3.00	23.27
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 $2,658,400 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 $26,539,794 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 0.089724126 percent, which was a decrease of 0.000381902 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $4,464,163. 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	$ 2,435,714	$ 147,017
Change of assumptions	8,919,245	-
Net difference between projected and actual earnings on FRS Plan investments	-	657,722
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	676,335	1,037,213
College FRS contributions subsequent to the measurement date	2,658,400	-
Total	$ 14,689,694	$ 1,841,952

The deferred outflows of resources totaling $2,658,400, 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	$ 1,414,305
2020	3,697,395
2021	2,390,580
2022	331,033
2023	1,697,407
Thereafter	658,622
Total	$ 10,189,342

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	$48,035,425	$26,539,794	$8,693,496

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

HIS Pension Plan.

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

Benefits Provided. For the fiscal year ended June 30, 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 $616,339 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 $11,711,251 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 0.109528125 percent, which was an increase of 0.001177216 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $872,750. 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	$ -	$ 24,385
Change of assumptions	1,646,199	1,012,684
Net difference between projected and actual earnings on HIS Plan investments	6,495	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	131,036	196,577
College contributions subsequent to the measurement date	616,339	-
Total	$ 2,400,069	$ 1,233,646

The deferred outflows of resources totaling $616,339, 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	$ 174,688
2020	173,459
2021	172,869
2022	117,486
2023	51,182
Thereafter	(139,600)
Total	$ 550,084

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
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	$13,364,090	$11,711,251	$10,334,530

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

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State'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
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 $334,047 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 $521,411 and employee contributions totaled $185,116 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 Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

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

The College's contributions to the Local Annuity Program totaled $105,303 and employee contributions totaled $15,638 for the 2017-18 fiscal year.

15. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
Kirkpatrick Center Institute of Public Safety (IPS) Expansion:			
Architect	$ 4,700	$ 4,700	$ -
Engineer	700,456	693,821	6,635
Construction Manager	4,398,837	4,398,837	-
General Contractor	1,658,733	1,658,733	-
Building T Renovations:			
Architect	101,189	101,189	-
Construction Manager	933,935	931,389	2,546
General Contractor	4,298	4,298	-
Blount Center Building DA Roof:			
Architect	25,250	22,119	3,131
Construction Manager	508,000	455,209	52,791
General Contractor	6,813	6,813	-
Blount Center Expansion Project:			
Architect	2,226,426	60,768	2,165,658
General Contractor	7,887	7,887	-
Institute of Technology & Manufacturing:			
Architect	41,305	31,279	10,026
IPS Chiller and Pump Replacement:			
Engineer	6,475	6,231	244
Construction Manager	268,324	268,324	-
X Building, Northwest Campus, Replace Piping:			
General Contractor	127,262	106,785	20,477
Total Capitalized Projects	11,019,890	8,758,382	2,261,508
Noncapitalized:			
Blount Center Building DA HVAC and RTU Replacement:			
General Contractor	209,000	185,292	23,708
Upgrade to Fiber on NW Campus and Watson Center:			
General Contractor	30,005	-	30,005
Fine Arts Hall Entry Repair:			
General Contractor	43,897	8,536	35,361
Parking Improvement and Repairs:			
Construction Manager	147,016	54,256	92,760
R Building, Northwest Campus, Air Handler Unit Coil Replacement:			
Architect	12,200	11,590	610
Construction Manager	213,266	159,368	53,898
Renewable Energy Accessible Lab:			
Engineer	8,000	3,593	4,407
General Contractor	26,059	-	26,059
Buildings A,D,J,N,S,W,X,Y Renovations:			
Architect	320,819	155,334	165,485
Engineers	1,000	-	1,000
Construction Manager	2,024,767	1,068,754	956,013
General Contractor	183,848	3,341	180,507
Projects Committed for less than $25,000	150,690	43,735	106,955
Total Noncapitalized Projects	3,370,567	1,693,799	1,676,768
Total Construction Contract Commitments	$ 14,390,457	$ 10,452,181	$ 3,938,276

16. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $200 million 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.

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 38,790,923
Public Services	1,279,798
Academic Support	8,856,669
Student Services	12,435,955
Institutional Support	15,432,752
Operation and Maintenance of Plant	16,200,988
Scholarships and Waivers	17,261,593
Depreciation	4,605,429
Auxiliary Enterprises	2,857,252
Total Operating Expenses	$ 117,721,359

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

	2017
Total OPEB Liability	
Service cost	$ 60,275
Interest	39,569
Changes of assumptions or other inputs	(49,523)
Benefit Payments	(58,672)
Net change in total OPEB liability	(8,351)
Total OPEB Liability - beginning, as Restated	1,343,704
Total OPEB Liability - ending	$ 1,335,353
Covered-Employee Payroll	$ 35,628,898
Total OPEB Liability as a percentage of covered-employee payroll	3.75%

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	0.089724126%	0.090106028%	0.097138630%	0.100886047%	0.090124341%
College's proportionate share of the FRS net pension liability	$ 26,539,794	$ 22,751,843	$ 12,546,757	$ 6,155,532	$ 15,514,410
College's covered payroll (2)	$ 40,303,975	$ 39,431,384	$ 39,279,143	$ 38,694,964	$ 37,553,181
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	65.85%	57.70%	31.94%	15.91%	41.31%
FRS Plan fiduciary net position 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	$ 2,658,400	$ 2,342,304	$ 2,208,964	$ 2,368,322	$ 2,209,833
FRS contributions in relation to the contractually required contribution	(2,658,400)	(2,342,304)	(2,208,964)	(2,368,322)	(2,209,833)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 42,375,205	$ 40,303,975	$ 39,431,384	$ 39,279,143	$ 38,694,964
FRS contributions as a percentage of covered payroll	6.27%	5.81%	5.60%	6.03%	5.71%

(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	0.109528125%	0.108350909%	0.109549292%	0.111742332%	0.110935455%
College's proportionate share of the HIS net pension liability	$ 11,711,251	$ 12,627,849	$ 11,172,304	$ 10,448,180	$ 9,658,390
College's covered payroll (2)	$ 34,251,575	$ 33,453,417	$ 33,322,876	$ 33,203,064	$ 32,202,548
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.19%	37.75%	33.53%	31.47%	29.99%
HIS Plan fiduciary net position 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	$ 616,339	$ 578,858	$ 555,564	$ 418,766	$ 382,792
HIS contributions in relation to the contractually required HIS contribution	(616,339)	(578,858)	(555,564)	(418,766)	(382,792)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 36,204,661	$ 34,251,575	$ 33,453,417	$ 33,322,876	$ 33,203,064
HIS contributions as a percentage of covered payroll	1.70%	1.69%	1.66%	1.26%	1.15%

(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. There was a change in the Total OPEB Liability arising from the change in the discount rate from 3.01 percent on the prior measurement date to 3.56 percent on the 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, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 22, 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 22, 2019