STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-192

March 2019

BROWARD 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, J. David Armstrong Jr. served as President of Broward 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 Yvonne McNaughton, CPA, and the audit was supervised by Diana G. Garza, 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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BROWARD COLLEGE

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Broward 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 Broward 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.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Broward College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Broward College and of its aggregate discretely presented component units as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the Broward 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 Broward College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

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 for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

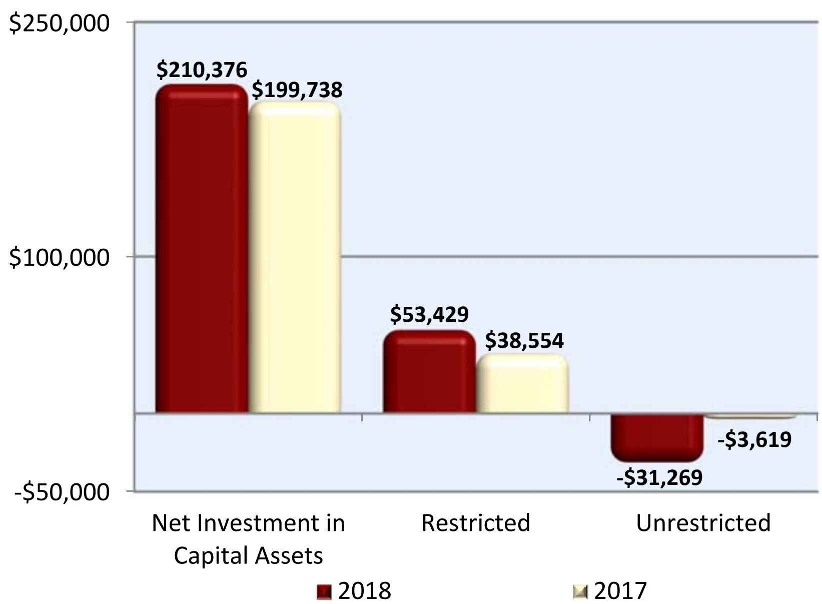
The College's assets and deferred outflows of resources totaled $384.4 million at June 30, 2018. This balance reflects a $5.9 million, or 1.5 percent, increase as compared to the 2016-17 fiscal year. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by $8 million, or 5.6 percent, totaling $151.9 million at June 30, 2018. As a result, the College's net position decreased by $2.1 million, resulting in a year-end balance of $232.5 million.

The College's operating revenues totaled $83.9 million for the 2017-18 fiscal year, representing a 6.8 percent increase compared to the 2016-17 fiscal year. Operating expenses totaled $276.9 million for the 2017-18 fiscal year, representing a decrease of 3.1 percent as compared to the 2016-17 fiscal year.

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:

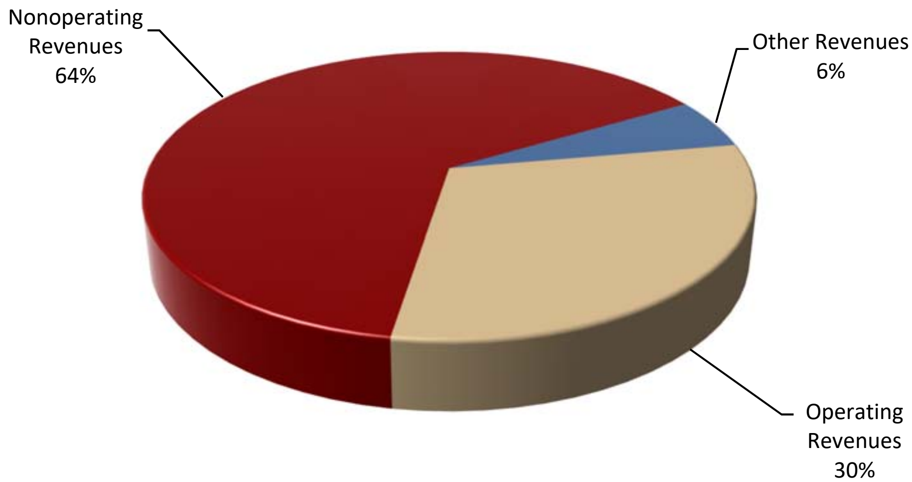
Net Position

(In Thousands)



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

Total Revenues
2017-18 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include:

- Broward College Foundation, Inc. – 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.
- BCEduventures, Inc. – Began operations on July 1, 2017, to serve as a supporting organization to the College, a tax-exempt public charity under Title 26, Section 501(c)(3), United States Code. The organization was established to receive, hold, invest, and administer gifts and to make expenditures to, or for the benefit of the College.

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

<u>The Statement of Net Position</u>

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2018	2017
Assets		
Current Assets	$ 35,088	$ 42,179
Capital Assets, Net	229,394	223,660
Other Noncurrent Assets	81,595	78,366
Total Assets	346,077	344,205
Deferred Outflows of Resources	38,316	34,274
Liabilities		
Current Liabilities	23,514	23,213
Noncurrent Liabilities	120,276	116,278
Total Liabilities	143,790	139,491
Deferred Inflows of Resources	8,067	4,315
Net Position		
Net Investment in Capital Assets	210,376	199,738
Restricted	53,429	38,554
Unrestricted	(31,269)	(3,619)
Total Net Position	$ 232,536	$ 234,673

Significant changes were the result of the following factors:

- The decrease in current assets of $7.1 million is mainly due to a net decrease of $5 million related to the timing of student financial aid disbursements and a decline in appropriations from the Public Education Capital Outlay (PECO) fund of $4.8 million, offset by an increase in prepaid expenses of $1.3 million.
- The increase in net capital assets of $5.7 million is primarily due to capital projects related to North Campus renovations, the Downtown Las Olas Campus Chiller Plant, and the Central Campus Planetarium.
- The increase in other noncurrent assets of $3.2 million is primarily due to an increase in interest earned on investments and unrealized investment gains.
- The increase in deferred outflows of resources of $4 million is due to changes in the amounts associated with the Florida Retirement System (FRS) pension and Health Insurance Subsidy (HIS) liabilities including changes in assumptions, and net differences between projected and actual earnings on HIS pension plan investments.
- The increase in noncurrent liabilities of $4 million is primarily due to an increase of $6 million in pension liabilities related to the Governmental Accounting Standards Board (GASB) Statement No. 68 accounting and an increase of $1.8 million in Other Postemployment Benefits (OPEB) liabilities related to GASB Statement No. 75 accounting, offset by a decrease of $3.6 million in scheduled debt service payments for bonds payable and note payable.
- The increase in deferred inflows of resources of $3.8 million is due to changes in the amounts associated with the FRS pension and HIS liabilities including changes in assumptions, and net differences between projected and actual earnings on HIS pension plan investments.

- The increase in net invested in capital assets of $10.6 million is primarily due to an increase of $5.7 million in net capital assets and a reduction in debt of $4.9 million related to capital assets.
- The increase in restricted net position of $14.9 million is primarily due to the transfers of $27.5 million from the College's Unrestricted Fund to the College's Restricted Unexpended Plant Fund of which $17.5 million is part of the College's Five-Year Capital Plan for initial campus infrastructure projects and $10 million serves as a catastrophic loss contingent liability reserve, offset by a reduction in PECO funding of $4.9 million, and a decrease of $8.0 million in plant operations.
- The decrease in unrestricted net position of $27.7 million is primarily due to the transfers of $27.5 million from the College's Unrestricted Fund to the College's Restricted Unexpended Plant Fund as noted above.

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

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

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

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

(In Thousands)

	2017-18	**2016-17**
Operating Revenues	$ 83,948	$ 78,579
Less, Operating Expenses	276,872	285,852
Operating Loss	(192,924)	(207,273)
Net Nonoperating Revenues	177,182	191,841
Loss Before Other Revenues	(15,742)	(15,432)
Other Revenues	15,793	26,609
Net Increase In Net Position	51	11,177
Net Position, Beginning of Year	234,673	223,496
Adjustment to Beginning Net Position (1)	(2,188)	-
Net Position, Beginning of Year, as Restated	232,485	223,496
Net Position, End of Year	$ 232,536	$ 234,673

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75, which is a change in the accounting for Other Postemployment Benefits.

Operating Revenues

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

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

Operating Revenues
For the Fiscal Years

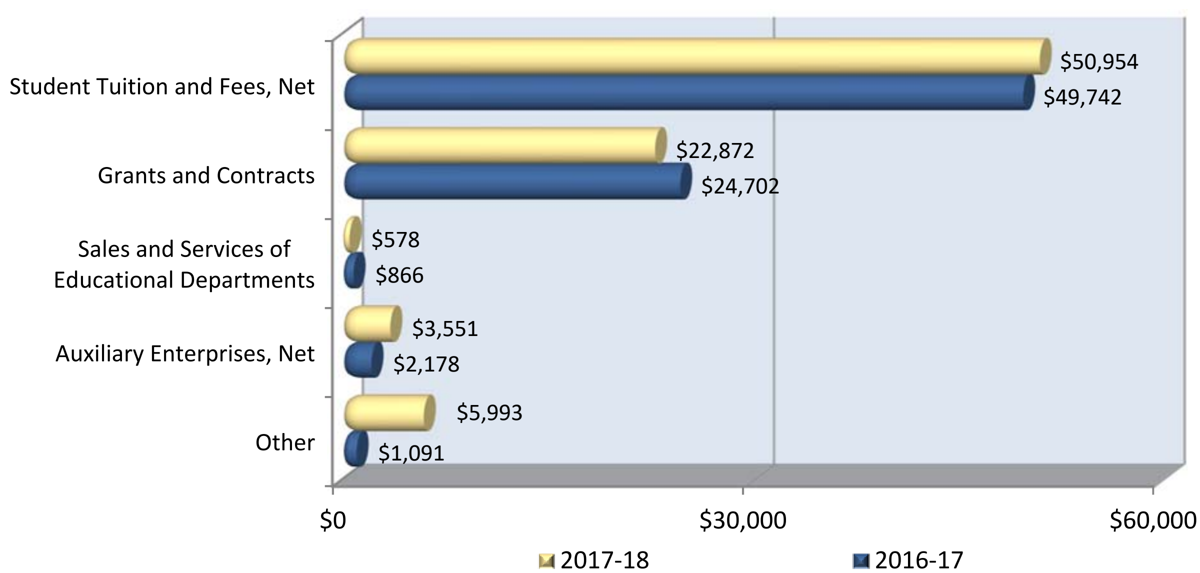
(In Thousands)

	2017-18	**2016-17**
Student Tuition and Fees, Net	$ 50,954	$ 49,742
Grants and Contracts	22,872	24,702
Sales and Services of Educational Departments	578	866
Auxiliary Enterprises	3,551	2,178
Other	5,993	1,091
Total Operating Revenues	$ 83,948	$ 78,579

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

Operating Revenues

(In Thousands)



College operating revenue changes were the result of the following factors: (1) a net increase of $1 million in other operating revenue related to the ground lease for the College's Downtown Las Olas Campus; (2) a net increase of $2.1 million for payment received for the Downtown Las Olas chiller plant; and (3) an increase of $1.2 million as a result of prior year revenue corrections.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

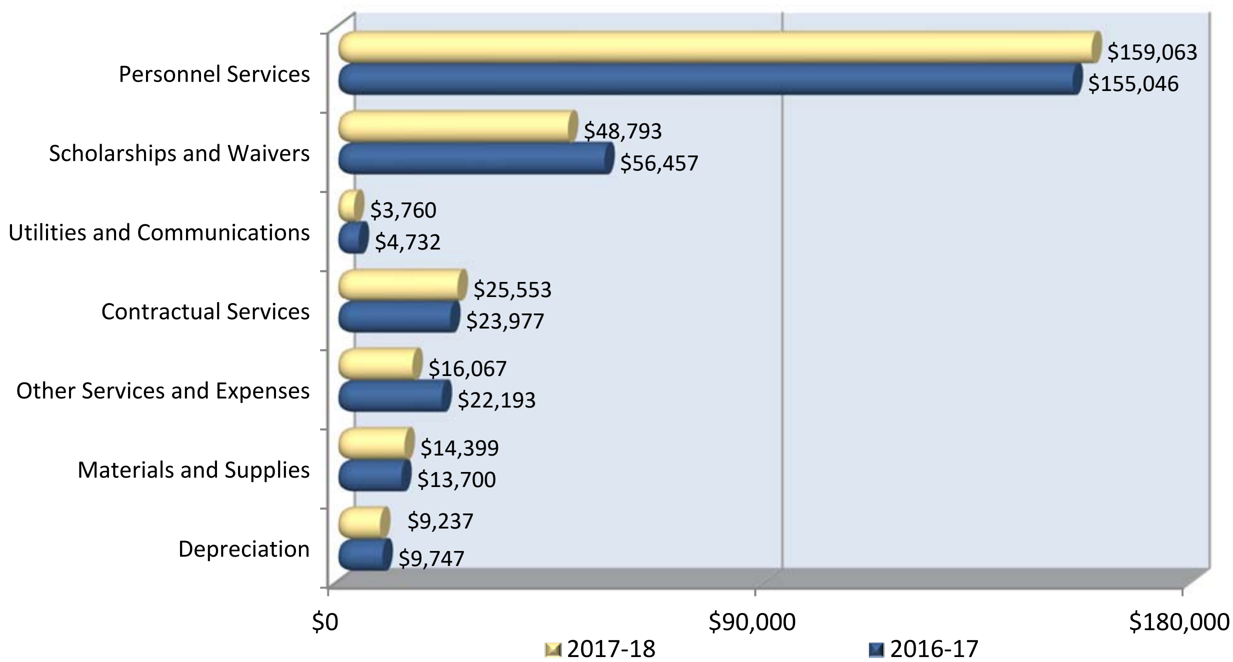
(In Thousands)

	2017-18	**2016-17**
Personnel Services	$ 159,063	$ 155,046
Scholarships and Waivers	48,793	56,457
Utilities and Communications	3,760	4,732
Contractual Services	25,553	23,977
Other Services and Expenses	16,067	22,193
Materials and Supplies	14,399	13,700
Depreciation	9,237	9,747
Total Operating Expenses	$ 276,872	$ 285,852

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

Operating Expenses

(In Thousands)



College operating expenses decreased by $9 million, or 3.1 percent, compared to the prior fiscal year. Significant changes were the result of the following:

- Personnel services increased by $4 million, or 2.6 percent primarily due to a $3 million increase in compensated absences, a $3 million increase in healthcare costs, and a $1.1 million increase in pension expense, offset by a $3 million decrease in salaries.
- Scholarships and waivers decreased by $7.7 million, or 13.6 percent is mainly due to a net decrease in student financial aid.

- Other services and expenses decreased by $6.1 million mainly due to the return of Title IV financial aid to the United States Department of Education, Office of Federal Student Aid of $5.6 million in the 2017 fiscal year.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 90,252	$ 92,564
Federal and State Student Financial Aid	86,091	97,412
Gifts and Grants	2,964	2,425
Investment Income	1,275	1,735
Other Nonoperating Revenues	80	68
Loss on Disposal of Capital Assets	(2,705)	(1,485)
Interest on Capital Asset-Related Debt	(775)	(878)
Net Nonoperating Revenues	$ 177,182	$ 191,841

Net nonoperating revenues decreased by $14.7 million, or 7.6 percent, mainly due to the following:

- State noncapital appropriations decreased by $2.3 million, or 2.5 percent, mainly due to a decrease in Lottery funds received from the Florida Lottery Community College Program Fund.
- Federal and State student financial aid decreased by $11.3 million, or 11.6 percent, mainly due to a decrease in Pell grant funds of $16.5 million, offset by an increase in the Florida Student Assistance Grant of $5.7 million.

Other Revenues

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

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 3,580	$ 8,455
Capital Grants, Contracts, Gifts, and Fees	12,190	18,139
Other Revenues	23	15
Total	$ 15,793	$ 26,609

Other revenues decreased by $10.8 million, or 40.7 percent. Significant changes were the result of State capital appropriations decreasing by $4.9 million mainly due to the decline in PECO appropriations and capital grants, contracts, gifts and fees decreasing by $5.9 million mainly due to prior year adjustments related to capital assets in the 2016-17 fiscal year.

The Statement of Cash Flows

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

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

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Cash Provided (Used) by:		
Operating Activities	$ (185,606)	$ (190,402)
Noncapital Financing Activities	171,205	191,604
Capital and Related Financing Activities	(1,349)	(1,065)
Investing Activities	66	2
Net Increase (Decrease) in Cash and Cash Equivalents	(15,684)	139
Cash and Cash Equivalents, Beginning of Year	19,025	18,886
Cash and Cash Equivalents, End of Year	$ 3,341	$ 19,025

Major sources of funds came from State noncapital appropriations ($90.3 million), Federal and State student financial aid ($77.5 million), net student tuition and fees ($51 million), grants and contracts ($23 million), Federal Direct Student Loan program receipts ($18.6 million), and capital grants and gifts ($12.6 million). Major uses of funds were for payments of employee salaries and benefits ($154.7 million), payments to providers of goods and services ($61.3 million), payments for scholarships ($48.7 million), disbursements to students for Federal Direct Student loans ($18.6 million), and purchases of capital assets ($14.9 million).

The College's cash and cash equivalents decreased by $15.7 million, or 82.4 percent, as compared to the prior fiscal year.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2018, the College had $422.5 million in capital assets, less accumulated depreciation of $193.1 million, for net capital assets of $229.4 million. Depreciation charges for the current fiscal year totaled $9.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	2017
Land	$ 12,551	$ 12,551
Construction in Progress	14,003	5,632
Software in Progress	2,777	2,407
Buildings	192,034	194,532
Other Structures and Improvements	3,443	3,042
Furniture, Machinery, and Equipment	1,848	2,335
Leasehold Improvements	311	330
Software	2,427	2,831
Capital Assets, Net	$ 229,394	$ 223,660

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

Capital Expenses and Commitments

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

	Amount (In Thousands)
Total Committed	$ 35,256
Completed to Date	(14,003)
Balance Committed	$ 21,253

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 $19 million in capital related long-term debt and notes payable, representing a decrease of $4.9 million, or 20.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2018, and June 30, 2017:

Long-Term Debt at June 30

(In Thousands)

	2018	2017
SBE Capital Outlay Bonds	$ 137	$ 708
Capital Improvement Revenue Bonds	10,310	12,500
Notes Payable	8,571	10,714
Total	$ 19,018	$ 23,922

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2017-18 fiscal year, the Capital Improvement Bond Series 2008A was refunded and replaced by the Capital Improvement Revenue Refunding Bond Series 2018A and debt repayments totaled $3.6 million. 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 which fluctuates from year to year. State appropriations increased from $84.8 million in the 2017-18 fiscal year to $86.3 million in the 2018-19 fiscal year. As is usual and customary, the College again implemented a conservative budget for the 2018-19 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Jayson Iroff, CFO, Broward College, 6400 NW 6th Way, Fort Lauderdale, Florida 33309.

BROWARD COLLEGE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 915,183	$ 3,216,254
Restricted Cash and Cash Equivalents	405,729	-
Accounts Receivable, Net	6,371,771	734,844
Notes Receivable, Net	1,176,232	-
Due from Other Governmental Agencies	23,410,037	-
Due from Component Units	824,958	-
Inventories	18,273	-
Prepaid Expenses	1,266,133	8,489
Deposits	699,431	-
Total Current Assets	35,087,747	3,959,587
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,020,425	-
Investments	38,268,391	78,974,093
Restricted Investments	41,306,049	-
Depreciable Capital Assets, Net	200,063,611	-
Nondepreciable Capital Assets	29,330,962	-
Total Noncurrent Assets	310,989,438	78,974,093
TOTAL ASSETS	346,077,185	82,933,680
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	457,996	-
Pensions	37,858,212	-
Total Deferred Outflows of Resoutces	38,316,208	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,974,772	812,844
Salary and Payroll Taxes Payable	2,625,187	-
Retainage Payable	885,543	-
Due to Other Governmental Agencies	15,128	-
Unearned Revenue	2,060,044	13,256
Estimated Insurance Claims Payable	3,995,083	-
Deposits Held for Others	4,012,383	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	797,000	-
Notes Payable	2,142,857	-
Unearned Lease Revenue	66,667	-
Unearned Revenue	200,000	-
Compensated Absences Payable	1,544,083	-
Other Postemployment Benefits Payable	457,996	-
Net Pension Liability	737,118	-
Total Current Liabilities	23,513,861	826,100

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

June 30, 2018

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	9,650,000	-
Notes Payable	6,428,572	-
Unearned Lease Revenue	1,605,556	-
Compensated Absences Payable	12,828,657	-
Other Postemployment Benefits Payable	7,362,333	-
Net Pension Liability	82,401,239	-
Total Noncurrent Liabilities	120,276,357	-
TOTAL LIABILITIES	143,790,218	826,100
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	813,354	-
Pensions	7,253,324	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,066,678	-
NET POSITION		
Net Investment in Capital Assets	210,376,144	-
Restricted:		
Nonexpendable:		
Endowment	1,029,509	40,088,327
Expendable:		
Endowment	-	333,703
Grants and Loans	5,172,560	-
Scholarships	260,190	30,609,290
Capital Projects	46,961,249	-
Debt Service	6,018	-
Unrestricted	(31,269,173)	11,076,260
TOTAL NET POSITION	$ 232,536,497	$ 82,107,580

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

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BROWARD 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 Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $49,423,118	$ 50,953,718	$ -
Federal Grants and Contracts	7,710,653	-
State and Local Grants and Contracts	3,204,248	-
Nongovernmental Grants and Contracts	11,957,598	-
Sales and Services of Educational Departments	577,883	-
Auxiliary Enterprises	3,550,808	-
Other Operating Revenues	5,992,947	5,800,033
Total Operating Revenues	83,947,855	5,800,033
EXPENSES		
Operating Expenses:		
Personnel Services	159,062,582	-
Scholarships and Waivers	48,792,895	-
Utilities and Communications	3,760,920	-
Contractual Services	25,552,638	8,760,821
Other Services and Expenses	16,067,457	-
Materials and Supplies	14,398,552	-
Depreciation	9,236,657	-
Total Operating Expenses	276,871,701	8,760,821
Operating Loss	(192,923,846)	(2,960,788)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	90,252,332	-
Federal and State Student Financial Aid	86,091,434	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,964,168	-
Investment Income	1,274,503	10,631,100
Loss on Disposal of Capital Assets	(2,705,787)	-
Other Nonoperating Revenues	80,054	333,703
Interest on Capital Asset-Related Debt	(775,222)	-
Net Nonoperating Revenues	177,181,482	10,964,803
Income (Loss) Before Other Revenues	(15,742,364)	8,004,015
State Capital Appropriations	3,579,919	-
Capital Grants, Contracts, Gifts, and Fees ($10,915,165 pledged for Notes Payable)	12,190,165	-
Additions to Endowments	23,033	-
Total Other Revenues	15,793,117	-
Increase in Net Position	50,753	8,004,015
Net Position, Beginning of Year	234,673,264	74,103,565
Adjustment to Beginning Net Position	(2,187,520)	-
Net Position, Beginning of Year, as Restated	232,485,744	74,103,565
Net Position, End of Year	$ 232,536,497	$ 82,107,580

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

BROWARD 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	$ 51,003,585
Grants and Contracts	23,023,067
Payments to Suppliers	(61,335,408)
Payments for Utilities and Communications	(3,760,920)
Payments to Employees	(119,588,018)
Payments for Employee Benefits	(35,109,086)
Payments for Scholarships	(48,731,531)
Loans Issued to Students	(4,250,533)
Collection on Loans to Students	3,480,370
Auxiliary Enterprises	3,311,846
Sales and Services of Educational Departments	577,883
Other Receipts	5,772,558
Net Cash Used by Operating Activities	(185,606,187)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	90,252,332
Federal and State Student Financial Aid	77,544,110
Federal Direct Loan Program Receipts	18,649,637
Federal Direct Loan Program Disbursements	(18,649,637)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,964,168
Private Gifts for Endowment Purposes	23,033
Other Nonoperating Receipts	421,970
Net Cash Provided by Noncapital Financing Activities	171,205,613
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,326,527
Capital Grants and Gifts	12,649,113
Purchases of Capital Assets	(14,920,589)
Principal Paid on Capital Debt and Leases	(3,628,857)
Interest Paid on Capital Debt and Leases	(775,222)
Net Cash Used by Capital and Related Financing Activities	(1,349,028)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(1,754,137)
Investment Income	1,819,830
Net Cash Provided by Investing Activities	65,693
Net Decrease in Cash and Cash Equivalents	(15,683,909)
Cash and Cash Equivalents, Beginning of Year	19,025,246
Cash and Cash Equivalents, End of Year	$ 3,341,337

BROWARD 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	$ (192,923,846)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,236,657
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(2,812,733)
Notes Receivables, Net (Loans to Students)	(770,164)
Due from Other Governmental Agencies	(530,828)
Inventories	(2,347)
Prepaid Expenses	(1,259,495)
Other Assets	54,000
Accounts Payable	(3,325,834)
Salaries and Payroll Taxes Payable	(376,645)
Due to Other Governmental Agencies	9,624
Unearned Revenue	388,597
Unearned Lease Revenue	(66,667)
Unearned Revenue (Long-Term)	(200,000)
Estimated Insurance Claims Payable	786,652
Deposits Held for Others	(284,012)
Compensated Absences Payable	958,447
Other Postemployment Benefits Payable	(98,376)
Net Pension Liability	5,741,966
Deferred Outflows of Resources Related to Other Postemployment Benefits Payable	(298,661)
Deferred Inflows of Resources Related to Other Postemployment Benefits Payable	813,354
Deferred Outflows of Resources Related to Pensions	(3,584,535)
Deferred Inflows of Resources Related to Pensions	2,938,659
NET CASH USED BY OPERATING ACTIVITIES	$ (185,606,187)

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.	$ (545,327)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (2,705,787)

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 Broward 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 five 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 Broward County.

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 Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Broward College Foundation, Inc. (Foundation): 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.
- BCEduventures, Inc. (BCEduventures): Began operations on July 1, 2017, to serve as a supporting organization to the College, a tax-exempt public charity under Title 26, Section 501(c)(3), United States Code. The organization was established to receive, hold, invest, and administer gifts and to make expenditures to, or for the benefit of, the College.

The College's component units as described above are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State Statutes. The component units receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of each component unit are available to the public and can be obtained from the Chief Financial Officer, 6400 NW 6th Way, Fort Lauderdale, Florida 33309. The financial data reported on the accompanying financial statements was derived from the Foundation's and BCEduventures' audited financial statements for the fiscal years ended December 31, 2017, and June 30, 2018, respectively.

<u>Basis of Presentation</u>. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

<u>Measurement Focus and Basis of Accounting</u>. 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 units use the economic resources measurement focus and the accrual basis of accounting, and follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to tuition scholarship allowance as prescribed in NACUBO Advisory Report 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. The College maintains a detailed record of this activity in the Credit and Collection activity file at the financial aid and student level.

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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 reported as cash equivalents at fair value of $95,199 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 30 days as of June 30, 2018. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land, construction in progress, software in progress, buildings, other structures and improvements, furniture, machinery, and equipment, leasehold improvements, and software. 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
- Leasehold Improvements – 20 years
- Other Structures and Improvements – 10 years
- Software – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year, as well as unearned lease revenue which will be amortized over 30 years and unearned revenue which will be amortized over 5 years.

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

2. Reporting Change

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

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $2,187,520 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $2,346,855 to $7,918,705 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balance for deferred outflows was restated for subsequent contributions totaling $159,335.

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.

Fund	**Net Position**
Current Funds - Unrestricted	$ (37,184,964)
Auxiliary Funds	5,915,791
Total	$ (31,269,173)

As shown in the following schedule, this deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time and financed by future appropriations:

		Amount
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 43,812,724
Amount Expected to be Financed in Future Years:		
Compensated Absences Payable	$ 14,372,740	
Net Postemployment Benefits and Related Deferred Outflows of Resources and Deferred Inflows of Resources	8,175,687	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	52,533,470	
Total Amount Expected to be Financed in Future Years		(75,081,897)
Total Unrestricted Net Position		$(31,269,173)

5. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the 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.

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

All of the College’s recurring fair value measurements as of June 30, 2018, are valued using quoted market prices (Level 1 inputs).

The College’s investments at June 30, 2018, are reported as follows:

Investments by Fair Value Level		**Fair Value Measurements Using** **Quoted Prices in Active Markets for Identical Assets (Level 1)**
SBA Debt Service Accounts	$	5,713
Mutual Funds:		
Equities		10,269,948
Bonds		69,298,779
Total Investments by Fair Value Level	$	79,574,440

State Board of Administration Debt Service Accounts.

The College reported investments totaling $5,713 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Mutual Funds.

The College's investments in mutual funds totaled $79,568,727 at June 30, 2018.

The College's Investment Policy Statement provides for a short-term investment pool, an intermediate-term investment pool, and a long-term investment pool. The primary objective of the short-term investment pool (funds needed for expenditures in 1 year or less) is to provide for preservation of capital and liquidity. The primary objectives for the intermediate-term investment pool are the preservation of capital and maximization of income without undue risk within the specific parameters specified in the investment policy. The primary objectives of the long-term investment pool (funds not expected to be needed as working capital and are not intermediate-term) are to provide for long-term growth of principal and income without undue exposure to risk.

The following risks apply to these investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investments in mutual funds have portfolios with average durations ranging of 0.06 to 7.7 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The College's investments in mutual funds at June 30, 2018, had portfolios having an average credit quality of between AAA and BBB.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments of collateral securities that are in the possession of an outside party. The College's investment policy provides that securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank, or other third-party custodial institution. The College's $79,568,727 investments in mutual funds are held by the safekeeping agent in the name of the College.

Component Unit Investments.

Investments held by the Foundation at December 31, 2017, are reported at fair value as follows:

Investment Type	Amount
Marketable Securities Equities:	
Foreign	$ 25,842,012
Domestic	20,037,101
Other:	
Alternative Investments	21,261,618
Fixed Income	11,241,514
Money Market Funds	591,848
Total Component Unit Investments	$ 78,974,093

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $256,215 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable represent student loans made through a third party under the short-term loan program, financial aid overpayments, and fee deficiencies. Notes receivable are reported net of a $3,676,878 allowance for doubtful notes.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $23,410,037 due from State funding sources, primarily $5,164,453 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $4,960,604 from other agencies, including $1,314,016 due from the Federal Government for Pell Grant and other Federal financial aid programs.

9. Due From and to Component Units/College

The amount due from component units consists of amounts owed to the College by the Foundation for scholarships and student aid. The Foundation's financial statements are reported for the calendar year ended December 31, 2017. Accordingly, although the College reported a due from component unit of $824,958 for the fiscal year ended June 30, 2018, there was no amount due to the College by the component unit as of December 31, 2017.

10. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 12,551,113	$ -	$ -	$ 12,551,113
Construction in Progress	5,632,107	16,719,203	8,347,967	14,003,343
Software in Progress	2,406,526	369,980	-	2,776,506
Total Nondepreciable Capital Assets	$ 20,589,746	$ 17,089,183	$ 8,347,967	$ 29,330,962
Depreciable Capital Assets:				
Buildings	$ 332,286,528	$ 7,497,819	$ 10,499,369	$ 329,284,978
Other Structures and Improvements	18,140,030	850,148	-	18,990,178
Furniture, Machinery, and Equipment	40,985,641	493,090	971,591	40,507,140
Leasehold Improvements	380,595	-	-	380,595
Software	4,044,366	-	-	4,044,366
Total Depreciable Capital Assets	395,837,160	8,841,057	11,470,960	393,207,257
Less, Accumulated Depreciation:				
Buildings	137,754,740	7,289,429	7,793,582	137,250,587
Other Structures and Improvements	15,097,832	449,059	-	15,546,891
Furniture, Machinery, and Equipment	38,650,174	1,074,703	1,066,232	38,658,645
Leasehold Improvements	50,746	19,030	-	69,776
Software	1,213,311	404,436	-	1,617,747
Total Accumulated Depreciation	192,766,803	9,236,657	8,859,814	193,143,646
Total Depreciable Capital Assets, Net	$ 203,070,357	$ (395,600)	$ 2,611,146	$ 200,063,611

11. Unearned Revenue

Unearned revenue at June 30, 2018, primarily includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods, assessments for the Higher Education Technology Group for the 2018-19 fiscal year, and grant revenues received in advance. As of June 30, 2018, the College reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 1,022,656
Higher Education Technology Group	567,433
Grant Revenues	376,063
Other	93,892
Total Unearned Revenue	$ 2,060,044

12. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 13,208,000	$ 10,310,000	$ 13,071,000	$ 10,447,000	$ 797,000
Notes Payable	10,714,286	-	2,142,857	8,571,429	2,142,857
Unearned Lease Revenue	1,738,889	-	66,666	1,672,223	66,667
Unearned Revenue	400,000	-	200,000	200,000	200,000
Compensated Absences Payable	13,414,293	3,193,898	2,235,451	14,372,740	1,544,083
Other Postemployment Benefits Payable (1)	7,918,705	518,955	617,331	7,820,329	457,996
Net Pension Liability	77,396,391	47,268,966	41,527,000	83,138,357	737,118
Total Long-Term Liabilities	$ 124,790,564	$ 61,291,819	$ 59,860,305	$ 126,222,078	$ 5,945,721

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

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

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2018A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds were issued to refund the Series 2008A and are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2018A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2018A bonds. 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. The bonds were issued for the construction of a multi-level parking garage at the College's Central Campus.

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2014B, Refunding	$ 137,000	2.0 - 5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2018A	10,310,000	4.0 - 5.0	2028
Total	$ 10,447,000		

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

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds Principal	Interest	Total
2019	$ 797,000	$ 622,777	$ 1,419,777
2020	935,000	479,700	1,414,700
2021	915,000	435,750	1,350,750
2022	960,000	390,000	1,350,000
2023	1,005,000	342,000	1,347,000
2024-2028	5,835,000	903,250	6,738,250
Total	$ 10,447,000	$ 3,173,477	$ 13,620,477

Bond Refunding. On April 12, 2018, the Division of Bond Finance issued the Florida College System Capital Improvement Revenue Refunding Bonds, Series 2018A. The College's portion of the bonds, $10,310,000 which includes a premium of $1,463,892, was used to refund $11,585,000 of outstanding Capital Improvement Revenue Bonds, Series 2008A. The proceeds of the bond issue were deposited in a trust fund with the SBA to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College's statement of net position. As a result of the refunding, the College had a debt service savings of $1,220,304 and obtained an economic gain of $1,121,859.

Notes Payable. On March 20, 2015, the College entered into a Credit Facility Debt Agreement for $15 million, at a stated interest rate of 1.91 percent, to finance capital improvement projects on South Campus. The debt matures on December 1, 2021, and principal and interest payments are made annually and semi-annually, respectively. The College's capital improvement fees collected pursuant to Sections 1009.22 and 1009.23, Florida Statutes, are pledged as security for the debt. Annual requirements to amortize the outstanding debt as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 2,142,857	$ 143,250	$ 2,286,107
2020	2,142,857	102,321	2,245,178
2021	2,142,857	61,393	2,204,250
2022	2,142,858	20,464	2,163,322
Total	$ 8,571,429	$ 327,428	$ 8,898,857

Unearned Lease Revenue. The College leased land in Miramar, Florida, to a third party pursuant to a ground lease agreement dated August 9, 2013, with terms extending 30 years. The lease was prepaid in August 2013 by the third party to the College for the sum of $2,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the College totaled $1,672,223 at June 30, 2018, of which $66,667 was reported as current.

Unearned Revenue. The College contracted with a private vendor to operate the College's bookstores for a period of 5 years. In accordance with the terms of the contract, the vendor provided a one-time signing bonus for the sum of $1,000,000, which is being amortized over the life of the agreement. The unearned revenue amount held by the College totaled $200,000 at June 30, 2018, all of which was reported as current.

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 $14,372,740. The current portion of the compensated absences liability, $1,544,083, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the College.

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	46
Inactive Employees Entitled to But Not Yet Receiving Benefits	78
Active Employees	1,290
Total	1,414

Total OPEB Liability

The College's total OPEB liability of $7,820,329 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	2.6 percent
Salary increases	5.9 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.5 percent for 2017, to an ultimate rate of 5 percent by 2023
Medicare	5.5 percent for 2017, decreasing to an ultimate rate of 5 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 Generational RP-2000 with Projection Scale BB.

The demographic actuarial assumptions for mortality, 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	$ 7,918,705
Changes for the year:	
Service Cost	685,702
Interest	229,131
Differences Between Expected and Actual Experience	510,219
Changes in Assumptions or Other Inputs	(906,097)
Benefit Payments	(617,331)
Net Changes	(98,376)
Balance at 6/30/18	$ 7,820,329

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

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$9,576,164	$7,820,329	$6,478,640

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	$6,169,498	$7,820,329	$10,085,373

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 $874,313. 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	$ -	$ 813,354
Transactions subsequent to the measurement date	457,996	-
Total	$ 457,996	$ 813,354

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	$	(92,743)
2020		(92,743)
2021		(92,743)
2022		(92,743)
2023		(92,743)
Thereafter		(349,639)
Total	$	(813,354)

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 $83,138,357. 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 $11,818,407 for the fiscal year ended June 30, 2018.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

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

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

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

The College's contributions to the Plan totaled $5,336,729 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 $55,740,216 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

0.188443140 percent, which was a decrease of 0.000097556 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $9,565,751. 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	$ 5,115,610	$ 308,772
Change of assumptions	18,732,648	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,381,382
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,061,943	2,258,773
College FRS contributions subsequent to the measurement date	5,336,729	-
Total	$ 31,246,930	$ 3,948,927

The deferred outflows of resources totaling $5,336,729, 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	$ 3,174,067
2020	7,969,128
2021	5,264,441
2022	655,656
2023	3,507,890
Thereafter	1,390,092
Total	$ 21,961,274

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	$100,886,425	$55,740,216	$18,258,520

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $833,981 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $1,385,590 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 $27,398,141 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 0.256237917 percent, which was an increase of 0.000632813 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $2,252,656. 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	$ -	$ 57,046
Change of assumptions	3,851,236	2,369,146
Net difference between projected and actual earnings on HIS Plan investments	15,194	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	1,359,262	878,205
College contributions subsequent to the measurement date	1,385,590	-
Total	$ 6,611,282	$ 3,304,397

The deferred outflows of resources totaling $1,385,590, 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	$ 617,697
2020	614,822
2021	613,442
2022	441,353
2023	21,848
Thereafter	(387,867)
Total	$ 1,921,295

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
College's proportionate share of the net pension liability	$31,264,906	$27,398,141	$24,177,338

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $130,091 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

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

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 $1,535,723 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 5.14 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, and 0.01 percent to cover the administrative costs, 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 $958,709 and employee contributions totaled $340,370 for the 2017-18 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. The College contributes 22.71 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled $323,144 for the 2017-18 fiscal year.

15. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Willis Holcombe Center:			
Building 33 Remodeling and Renovations	$ 7,145,889	$ 3,636,191	$ 3,509,698
Building 33 New Chiller Plant	3,545,395	2,051,764	1,493,631
Central Campus:			
Building 16, 19, 20, 22, & 32 Remodeling and and Renovations	9,214,126	2,753,343	6,460,783
Collegewide - Operations:			
Other General Remediation	3,803,813	1,151,925	2,651,888
Roof Replacement	2,752,518	1,478,464	1,274,054
North Campus:			
Building 41, 47, & 49 Renovations	4,711,731	1,672,789	3,038,942
Building 60 - Omni Electrical Renovation	1,298,828	1,038,618	260,210
South Campus:			
Building 70 Remodeling Design and Construction/Upgrade Lift Station	2,783,644	220,249	2,563,395
Total	$ 35,255,944	$ 14,003,343	$ 21,252,601

16. Operating Lease Commitments

The College leased building space under an operating lease, which expires in 2034. The leased asset and the related commitment is not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 931,921
2020	959,879
2021	988,675
2022	1,018,336
2023	1,048,886
2024-2028	6,639,400
2029-2033	7,939,994
2034	1,733,734
Total Minimum Payments Required	$ 21,260,825

17. 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, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Life, dental, and long-term disability coverage are provided through purchased commercial insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $300,000 per insured person for the 2017-18 fiscal year. The plan is provided by an insurance company licensed by the Florida Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled $3,995,083 as of June 30, 2018. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2018, totaled $1,195,886 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

The following schedule represents the changes in claims liability for the current and prior years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	End of Fiscal Year
2016-17	$ 4,613,225	$ 14,707,381	$ 16,112,175	$ 3,208,431
2017-18	3,208,431	17,667,883	16,881,231	3,995,083

Healthcare Reserves. In the 2018 fiscal year, the Board approved transfers of $4 million from the unrestricted fund balance to the healthcare reserve to offset the rising cost of healthcare.

18. 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	$ 86,900,175
Public Services	1,729,096
Academic Support	28,347,916
Student Services	25,573,053
Institutional Support	40,485,798
Operation and Maintenance of Plant	31,154,417
Scholarships and Waivers	48,792,895
Depreciation	9,236,657
Auxiliary Enterprises	4,651,694
Total Operating Expenses	$ 276,871,701

19. Fiscal Agent for the Higher Education Technology Group

Effective July 2, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due or payable from the HETGroup and for certain personnel functions. For the 2017-18 fiscal year, HETGroup revenues and expenditures totaled $846,888 and $618,325, respectively, on the Statement of Revenues, Expenses, and Changes in Net Position. At June 30, 2018, net assets of HETGroup totaling $2,034,397 were held in the College's Current Restricted Fund.

20. Related Party Transactions

The Foundation utilizes certain facilities and professional services provided by the College. The estimated fair value of donated services and other general and administrative costs amounted to $1,205,467 and $129,033, respectively, for the fiscal year ended December 31, 2017, and are included in the accompanying Statement of Revenue, Expenses and Changes in Net Assets of the component unit as both income and expense.

BCEduventures recorded approximately $14,000 in donated services and approximately $58,000 in donated goods from the College for the fiscal year ended June 30, 2018. These amounts are reflected in the accompanying Statement of Revenue, Expenses and Changes in Net Assets of the component unit as both income and expense.

21. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations		
	Foundation	**BCEduventures**	**Total**
Assets:			
Current Assets	$ 3,066,971	$ 892,616	$ 3,959,587
Other Noncurrent Assets	78,974,093	-	78,974,093
Total Assets	82,041,064	892,616	82,933,680
Liabilities:			
Current Liabilities	669,673	156,427	826,100
Total Liabilities	669,673	156,427	826,100
Net Position:			
Restricted Nonexpendable	40,088,327	-	40,088,327
Restricted Expendable	30,609,290	333,703	30,942,993
Unrestricted	10,673,774	402,486	11,076,260
Total Net Position	$ 81,371,391	$ 736,189	$ 82,107,580

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

	Direct-Support Organizations		
	Foundation	BCEduventures	Total
Operating Revenues	$ 4,395,432	$ 1,404,601	$ 5,800,033
Operating Expenses	(7,758,706)	(1,002,115)	(8,760,821)
Operating Income (Loss)	(3,363,274)	402,486	(2,960,788)
Net Nonoperating Revenues (Expenses):			
Nonoperating Revenues	10,631,100	333,703	10,964,803
Net Nonoperating Revenues (Expenses)	10,631,100	333,703	10,964,803
Increase in Net Position	7,267,826	736,189	8,004,015
Net Position, Beginning of Year, as Restated	74,103,565	-	74,103,565
Net Position, End of Year	$ 81,371,391	$ 736,189	$ 82,107,580

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

	2017
Total OPEB Liability	
Service cost	$ 685,702
Interest	229,131
Difference between expected and actual experience	510,219
Changes of assumptions or other inputs	(906,097)
Benefit Payments	(617,331)
Net change in total OPEB liability	(98,376)
Total OPEB Liability - beginning, as Restated	7,918,705
Total OPEB Liability - ending	$ 7,820,329
Covered-Employee Payroll	$ 78,929,032
Total OPEB Liability as a percentage of covered-employee payroll	9.91%

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	0.188443140%	0.188540696%	0.211733462%	0.202277239%	0.181763688%
College's proportionate share of the FRS net pension liability	$ 55,740,216	$ 47,606,674	$ 27,348,216	$ 12,341,886	$ 31,289,620
College's covered payroll (2)	$ 94,963,577	$ 92,271,473	$ 94,997,752	$ 86,633,465	$ 81,539,356
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	58.70%	51.59%	28.79%	14.25%	38.37%
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	$ 5,336,729	$ 4,905,639	$ 4,597,866	$ 5,162,242	$ 4,430,730
FRS contributions in relation to the contractually required contribution	(5,336,729)	(4,905,639)	(4,597,866)	(5,162,242)	(4,430,730)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 95,137,973	$ 94,963,577	$ 92,271,473	$ 94,997,752	$ 86,633,465
FRS contributions as a percentage of covered payroll	5.61%	5.17%	4.98%	5.43%	5.11%

(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	0.256237917%	0.255605104%	0.268554023%	0.248345447%	0.242062413%
College's proportionate share of the HIS net pension liability	$ 27,398,141	$ 29,789,717	$ 27,388,286	$ 23,220,905	$ 21,074,716
College's covered payroll (2)	$ 82,039,790	$ 79,338,446	$ 81,225,185	$ 73,259,441	$ 68,797,117
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.40%	37.55%	33.72%	31.70%	30.63%
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	$ 1,385,590	$ 1,356,085	$ 1,310,139	$ 1,026,581	$ 850,748
HIS contributions in relation to the contractually required HIS contribution	(1,385,590)	(1,356,085)	(1,310,139)	(1,026,581)	(850,748)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 83,469,166	$ 82,039,790	$ 79,338,446	$ 81,225,185	$ 73,259,441
HIS contributions as a percentage of covered payroll	1.66%	1.65%	1.65%	1.26%	1.16%

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

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

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

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

Changes of Assumptions. The Discount Rate was changed from 3.01 percent at the Prior Measurement Date to 3.56 percent at the current Measurement Date. As a result, the change in the Total OPEB Liability is to be recognized in the OPEB expense beginning in the current measurement period, over a closed period equal to 9.77 years.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units, 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